Mopani District Municipality
(Registration number DC33)
Annual Financial Statements
for the year ended 30 June 2022

General Information

Legal form of entity	Local Government
Nature of business and principal activities	Integrated Development Planning for the district municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the district municipality, taking into account the integrated developments plans on those local municipalities, Bulk supply of water that affects a significant proportion of municipalities in the district Bulk sewerage purification works and main sewage disposal that affects a significant proportion of the municipalities in the district. Solid waste disposal sites serving the area of the district municipality as a whole. Municipal Health Services serving the area of the district municipality as a whole Fire Fighting services serving the area of the district municipality as a whole The establishment, conduct and control of cemeteries and crematoria serving the area of the district municipality as a whole Solid waste disposal sites serving the area of the district municipality as a whole. Disaster Management services Provision of the water and sanitation services
Accounting Officer	 Mr T.J Mogano
Grading of local authority	4
Accounting Officer	Mr Kgatla Q (Until 08 February 2022) Mr T.J Mogano (With effect from 10 February [Acting] and 01 June 2022 [Substantive])
Chief Finance Officer (CFO)	Mr T.J Mogano (up to 10 February 2022) Ms L. Nkoane (Acting from 01 March 2022)
Registered office	Government Building Main Road Giyani 0826
Business address	Government Building Main Road Giyani 0826
Postal address	Private Bag X9687 Giyani 0826
Bankers	First National Bank
Auditors	Auditor General - South Africa
Attorneys	Selokela Mashola Verveen Attorneys Nyoffu Attorneys Mphoke Magane Attorneys M & M Maiwashe Attorneys T C Pilusa Attorneys Nkgapele & Nkgapele Attorneys Moloko Phooko Attorneys Machaka Inc Phungo Incorporated

General Information

	Ramusi Attorneys
	Kovani Machete Attorneys
	Mello Attorneys
	Mafa & Associates
	Ndobela & Associates
	Phuthi Manamela Inc
	M T Matsau Inc
	Lebea & Associates
	Mvundlela & Associates
	Ngoako Seabela Incorporated
	Mohale Incorporated
	Modjadji Raphesu Inc Attorneys
	Mmakola Matsimela Attorneys
	Maboku Mangena Attorneys
	T J Machete Attorneys
	SC Mdhluli Inc Attorneys
	Buthane Rasemana Attorneys
	Michael Raphela Attorneys
	Talane & Associates
	P K Legodi Attorneys
	Kgatla Inc
	Mabuza Attorneys
	Phambane Mokone Attorneys
	Raphela Attorneys
	Mahumani Inc
	M M Maiwashe Attorneys
	Mahowa Attorneys
	Machaba Inc
Audit Committee	Mr Modipane T.C CA(SA) Chairperson (Reappointed 02 August 2021)
	Ms Mabuza J.M (Appointed 02 August 2021)
	Mr Ngobeni S.A.B (Reappointed 02 August 2021 and resigned 02 June 2022)
	Mr Nevhutalu T.G CA(SA) (Term ended 31 July 2021)
	Mr Lekoloane T.A (Appointed 02 August 2021)
Executive Mayor	Cllr. PJ. Shayi
	Cllr. NM. Maswanganyi (Speaker)
	Cllr. M. Lewele (Chief Whip)
Mayoral Committee	Cllr. NR. Khandlhela
	Cllr. DJ. Mmetle Ramohlola
	Cllr. MH. Sefufi
	Cllr. NN. Baloyi
	Cllr. ML. Maloko
	Cllr. MS. Magomane
	Cllr. MG. Mangena
	Cllr. SL. Mohlala
	Cllr. MD. Makhananisa

General Information

Councilors (from November 2021)

Cllr. MP. Hlungwani (Chairperson of MPAC)
Cllr. I. Hlungwana
Cllr. MM. Mukhabele
Cllr. WL. Mtebule
Cllr. GN. Bokisi
Cllr. E. Hlungwani
Cllr. NH. Tshimbana
Cllr. RT. Mavundza
Cllr. HD. Lebeya
Cllr. MW. Mohale
Cllr. NJ. Mbhalati
Cllr. J. Mashele
Cllr. MG. Mangena
Cllr. DG. Mkhabela
Cllr. ML. Ramalepe
Cllr. MC. Morwatshehla
Cllr. TC. Letsoalo
Cllr. MS. Baloyi
Cllr. SB. Ramoshaba
Cllr. WM. Maake
Cllr. C. Stoltz
Cllr. CM. Ramathoka
Cllr. SL. Mohlala
Cllr. MMA. Mathebula
Cllr. SM. Shayi
Cllr. SP. Mashumu
Cllr. FM. Moroatshehla
Cllr. PJ. Mampeule
Cllr. MD. Makhananisa
Cllr. TJ. Senyolo
Cllr. MP. Matlou
Cllr. PS. Mothomogolo
Cllr. EM. Mathaba
Cllr. BT. Mabilo
Cllr. MJ. Rakgoale
Cllr. SP. Letebele
Cllr. SS. Mathebula
Cllr. S. Mavasa
Cllr. BA. Shibambu
Cllr. MP. Hlungwani
Cllr. AT. Rabothata
Cllr. GE. Kobane
Cllr. RN. Sekgobela
Cllr. MN. Madike

General Information

Councilors (From July 2021 to October 2021)

Cllr. PJ. Shayi (Executive Mayor)
Cllr. WD. Sedibeng (Speaker of Council)
Cllr. NM. Maswanganyi (Chief Whip)
Cllr. MC. Mohale (Member of Mayoral Committee)
Cllr. MH. Sefufi (Member of Mayoral Committee)
Cllr. EJ. Mathonsi (Member of Mayoral Committee)
Cllr. NN. Baloyi (Member of Mayoral Committee)
Cllr. GH. Modjadji (Member of Mayoral Committee)
Cllr. GA. Maluleke (Member of Mayoral Committee)
Cllr. MD. Maake (Member of Mayoral Committee (Deceased))
Cllr. MI. Shimangefazi (Member of Mayoral Committee)
Cllr. MC. Nkwashu (Chairperson of MPAC)
Cllr. ML. Maloko
Cllr. MO. Maswanganyi
Cllr. MI. Mokgobi
Cllr. NH. Zandamela
Cllr. NA. Sono (Deceased)
Cllr. KJ. Malepe
Cllr. PT. Malatji
Cllr. SJ. Nkuna
Cllr. MA. Helm
Cllr. CM. Ramathoka
Cllr. MR. Chauke
Cllr. JG. Mashele
Cllr. FM. Moroatshehla
Cllr. MM. Makwela
Cllr. KI. Rapatsa
Cllr. D. Malemela
Cllr. CT. Shisinga
Cllr. MM. Makwala
Cllr. SC. Makwala
Cllr. GM. Malatji
Cllr. MF. Madike
Cllr. MA. Mathaba
Cllr. MD. Popela
Cllr. R. Makasela
Cllr. MMA. Mathebula
Cllr. B. Ramotwala
Cllr. TN. Mthombeni
Cllr. XJ. Valoyi
Cllr. TC. Zitha
Cllr. T. Makhubela
Cllr. MR. Maake
Cllr. MV. Mangoro
Cllr. M. Mathedimosa
Cllr. TJ. Senyolo
Kgosigadi MJ. Sekgopo
Kgosi SSS. Sekororo (Deceased)
Kgoslgadi MJ. Mametja

General Information

Hosi TLP. Nwamitwa
Kgosigadi MA. Shayi
Hosi MAM. Haneki
Hosi MC. Mathevula
Hosi M. Ntsanwisi
Kgosi MB. Pheeha
Cllr. I. Hlungwana
Cllr. MPT. Maluleke
Cllr. Hosi SM. Maluleke
Cllr. RN. Sekgobela
Cllr. PP. Machete
Cllr. ML. Ramalobela
Cllr. SP. Moshole
Cllr. MJ. Maake
Cllr. MP. Mailula

Contents

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Contents

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
COIDA	Compensation of Occupational Injuries and Diseases Act
COVID-19	Coronavirus Disease
CPI	Consumer Price Index
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DWS	Department of water and sanitation
FMG	Financial management grant
GRAP	Generally Recognised Accounting Practice
LG SETA	Local Government Sector Education and Training
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MTREF	Medium Term Expenditure and Revenue Framework
PEMA	Post-Employment Medical Aid
SALGA	South African Local Government Association
SALGBC	South African Local Government Bargaining Council
MPAC	Municipal Public Accounts Committee
VAT	Value Added Taxation
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund
INEP	Integrated National Electrification Programme
MDM	Mopani District Municipality
LSA	Long Service Award

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 9 to 124, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

Mr T.J Mogano
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

The municipality operates in the Mopani district in South Africa and is involved in the following activities:
Integrated Development Planning for the district municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the district municipality, taking into account the integrated developments plans on those local municipalities,
Bulk supply of water that affects a significant proportion of municipalities in the district
Bulk sewerage purification works and main sewage disposal that affects a significant proportion of the municipalities in the district.
Solid waste disposal sites serving the area of the district municipality as a whole.
Municipal Health Services serving the area of the district municipality as a whole
Fire Fighting services serving the area of the district municipality as a whole
The establishment, conduct and control of cemeteries and crematoria serving the area of the district municipality as a whole
Solid waste disposal sites serving the area of the district municipality as a whole.
Disaster Management services
Provision of the water and sanitation services.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 193 896 941 (2021: surplus R 93 022 031).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will be met on time. Contingent liabilities will be managed accordingly.

The municipality continues to receive its equitable share in line with Constitutional mandate and the Division of Revenue Act.

As at 30 June 2022, the municipality's current liabilities exceed the current assets by R(1 383 480 418) (2 021 : R(1 391 800 611)) resulting in the municipality being technically insolvent. The fact on its own does not bar the municipality to continue being a going concern given that going concern implies that the municipality will be in existence within 12 months of the balance sheet dates.

The following factors could have undermined the going concern assumptions indicated above if they were not properly managed as indicated:

- The municipality is experiencing challenges of collecting for revenue relating to water and sanitation. This is due to weakness in controls that are intended to manage of revenue at the local municipalities. The Local Municipalities are appointed as service providers and the District Municipality is the Water Service Authority;
- The obligation to Lepelle Northern Water at R324 083 570 (2021: R332 129 437) and Department of Water and Sanitation at R537 896 642 (2021: R478 334 357) contributes as biggest creditors for the municipality over which there continue to threaten the going concern for the municipality. The municipality has signed payment agreements with both Lepelle Northern Water and the Department of Water and Sanitation to manage this risk; and
- The litigation against the municipality to the value of R157 806 708 (2021: R223 380 065) provided continuity risk for the district municipality. However, management continues to monitor the risk.

Based on the above assessment done, the District Municipality is a going concern and thus should prepare its financial statements for the year ended 30 June 2022 under going concern assumptions. The municipality will continue with its endeavours to increase revenue and reserve, as well as, reducing the financial commitments to ensure good financial health.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

Accounting Officer's Report

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer’s interest in contracts

The Accounting Officer declares that he has no interest whatsoever in the contracts of the Municiplality.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mr Kgatla Q	South Africa	Resigned 08 February 2022
Mr T.J Mogano	South Africa	Appointed 01 June 2022

Mr T.J Mogano performed the duties of Municipal Manager from the 1st of June 2022 until his contract appointment by council. He, however, had been acting in that capacity from the 10th of February 2022 following the departure of the previous incumbent Mr Q. Kgatla on the 8th of February 2022.

7. Bankers

The District Municipality banks with First National Bank.

8. Auditors

Auditor General - South Africa will continue in office for the next financial period.

Mr T.J Mogano
Municipal Manager

Statement of Financial Position as at 30 June 2022

	Notes	2022 R	2021 Restated* R
Assets			
Current Assets			
Inventories	3	37 723 406	23 006 182
Receivables from exchange transactions	4	257 752 593	121 600 213
VAT receivable	5	214 230 299	194 464 507
Cash and cash equivalents	6	30 500 247	29 437 305
		540 206 545	**368 508 207**
Non-Current Assets			
Property, plant and equipment	7	8 505 286 736	8 311 244 018
Intangible assets	8	3 291 963	3 794 796
Heritage assets	10	432 000	432 000
Operating lease asset	9	4 024 622	4 723 806
		8 513 035 321	**8 320 194 620**
Total Assets		**9 053 241 866**	**8 688 702 827**
Liabilities			
Current Liabilities			
Finance lease obligation	11	3 397 673	23 405 642
Payables from exchange transactions	12	1 795 960 071	1 645 351 310
VAT payable	13	25 701 913	1 965 713
Consumer deposits	14	3 866 790	3 615 153
Employee benefit obligation	15	4 676 597	4 254 822
Unspent conditional grants and receipts	17	90 083 919	81 716 178
		1 923 686 963	**1 760 308 818**
Non-Current Liabilities			
Employee benefit obligation	15	80 426 723	72 794 086
Landfill site provision	18	5 403 991	5 772 678
		85 830 714	**78 566 764**
Total Liabilities		**2 009 517 677**	**1 838 875 582**
Net Assets		**7 043 724 189**	**6 849 827 245**
Accumulated surplus		7 043 724 189	6 849 827 245
Total Net Assets		**7 043 724 189**	**6 849 827 245**

* See Note 44

Statement of Financial Performance

	Notes	2022 R	2021 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	19	222 904 530	314 074 836
Interest charged on overdue consumer accounts	20	74 140 892	68 039 122
Other income	21	2 343 422	1 123 611
Investment revenue	22	3 621 608	6 479 246
Total revenue from exchange transactions		**303 010 452**	**389 716 815**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	23	1 501 386 075	1 751 551 494
Public contributions and donations	24	519 500	3 798 435
Total revenue from non-exchange transactions		**1 501 905 575**	**1 755 349 929**
Total revenue		**1 804 916 027**	**2 145 066 744**
Expenditure			
Employee related costs	25	(465 971 228)	(460 666 220)
Remuneration of councillors	26	(12 175 090)	(13 077 370)
Depreciation and amortisation	27	(240 666 731)	(226 913 718)
Finance costs	28	(52 068 433)	(61 140 647)
Lease rentals on operating lease	29	(699 185)	(699 185)
Debt Impairment	30	(31 947 898)	(333 649 522)
Bulk purchases	31	(189 101 685)	(287 665 825)
Contracted services	32	(93 030 490)	(82 689 293)
Transfers and Subsidies	33	(1 937 143)	-
General Expenses	34	(240 130 484)	(146 356 219)
Consulting and professional fees	35	(77 343 698)	(74 518 987)
Repairs and maintenance	36	(169 317 479)	(240 588 408)
VIP Toilets	37	(32 462 813)	(108 977 590)
Total expenditure		**(1 606 852 357)**	**(2 036 942 984)**
Operating surplus		**198 063 670**	**108 123 760**
Gain on disposal of assets and liabilities		40 238 335	-
Actuarial gains/losses	15	(52 624)	(770 231)
Impairment loss	38	(44 352 440)	(14 331 498)
		(4 166 729)	**(15 101 729)**
Surplus for the year		**193 896 941**	**93 022 031**

* See Note 44

Statement of Changes in Net Assets

	Accumulated surplus / deficit R	Total net assets R
Opening balance as previously reported	4 626 287 311	4 626 287 311
Adjustments		
Correction of errors Note 44	2 130 517 903	2 130 517 903
Balance at 01 July 2020 as restated*	**6 756 805 214**	**6 756 805 214**
Changes in net assets		
Surplus for the year	93 022 031	93 022 031
Total changes	93 022 031	93 022 031
Restated* Balance at 01 July 2021	**6 849 827 248**	**6 849 827 248**
Changes in net assets		
Surplus for the year	193 896 941	193 896 941
Total changes	193 896 941	193 896 941
Balance at 30 June 2022	**7 043 724 189**	**7 043 724 189**

* See Note 44

Cash Flow Statement

	2022 R	2021 Restated* R
Cash flows from operating activities		
Receipts		
Sale of goods and services	131 288 566	100 653 653
Grants	1 509 753 816	1 659 080 431
Interest income	3 621 608	6 479 246
	1 644 663 990	1 766 213 330
Payments		
Employee costs	(470 576 886)	(479 535 437)
Suppliers	(651 473 246)	(595 112 558)
Finance costs	(43 516 843)	(53 077 238)
VAT payments	(19 765 796)	(74 511 793)
	(1 185 332 771)	(1 202 237 026)
Net cash flows from operating activities	**459 331 219**	**563 976 304**
Cash flows from investing activities		
Purchase of property, plant and equipment	(437 801 221)	(723 172 237)
Purchase of other intangible assets	-	(1 378 891)
Net cash flows from investing activities	**(437 801 221)**	**(724 551 128)**
Cash flows from financing activities		
Finance lease payments	(20 467 056)	(26 759 930)
Net increase/(decrease) in cash and cash equivalents	**1 062 942**	**(187 334 754)**
Cash and cash equivalents at the beginning of the year	29 437 305	216 772 059
Cash and cash equivalents at the end of the year	**30 500 247**	**29 437 305**

* See Note 44

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	198 711 000	-	**198 711 000**	222 904 530	**24 193 530**	**[BC1]**
Interest received (trading)	41 215 428	-	**41 215 428**	74 140 892	**32 925 464**	**[BC3]**
Other income	241 149 000	(99 450 000)	**141 699 000**	2 343 422	**(139 355 578)**	**[BC2]**
Investment revenue	13 701 996	(7 378 424)	**6 323 572**	3 621 608	**(2 701 964)**	**[BC3]**
Total revenue from exchange transactions	**494 777 424**	**(106 828 424)**	**387 949 000**	**303 010 452**	**(84 938 548)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	1 583 956 500	(25 667 500)	**1 558 289 000**	1 501 386 075	**(56 902 925)**	**[BC4]**
Public contributions and donations	-	-	**-**	519 500	**519 500**	
Total revenue from non-exchange transactions	**1 583 956 500**	**(25 667 500)**	**1 558 289 000**	**1 501 905 575**	**(56 383 425)**	
Total revenue	**2 078 733 924**	**(132 495 924)**	**1 946 238 000**	**1 804 916 027**	**(141 321 973)**	
Expenditure						
Personnel	(492 773 000)	81 208 000	**(411 565 000)**	(465 971 228)	**(54 406 228)**	**[BC5]**
Remuneration of councillors	(13 477 608)	(8 034 392)	**(21 512 000)**	(12 175 090)	**9 336 910**	**[BC6]**
Depreciation and amortisation	(210 524 700)	-	**(210 524 700)**	(240 666 731)	**(30 142 031)**	**[BC7]**
Impairment loss/ Reversal of impairments	-	-	**-**	(44 352 440)	**(44 352 440)**	
Finance costs	(358 344)	-	**(358 344)**	(52 068 433)	**(51 710 089)**	**[BC8]**
Lease rentals on operating lease	-	-	**-**	(699 185)	**(699 185)**	
Debt Impairment	(65 173 668)	-	**(65 173 668)**	(31 947 898)	**33 225 770**	**[BC9]**
Bulk purchases	(540 071 000)	32 494 000	**(507 577 000)**	(189 101 685)	**318 475 315**	**[BC10]**
Contracted Services	(205 846 000)	44 838 000	**(161 008 000)**	(93 030 490)	**67 977 510**	**[BC11]**
Transfers and Subsidies	-	-	**-**	(1 937 143)	**(1 937 143)**	
General Expenses	(184 251 000)	(1 257 000)	**(185 508 000)**	(519 254 474)	**(333 746 474)**	**[BC12]**
Total expenditure	**(1 712 475 320)**	**149 248 608**	**(1 563 226 712)**	**(1 651 204 797)**	**(87 978 085)**	
Operating surplus	**366 258 604**	**16 752 684**	**383 011 288**	**153 711 230**	**(229 300 058)**	
Gain on disposal of assets and liabilities	-	-	**-**	40 238 335	**40 238 335**	
Actuarial gains/losses	-	-	**-**	(52 624)	**(52 624)**	
	-	**-**	**-**	**40 185 711**	**40 185 711**	
Surplus	**366 258 604**	**16 752 684**	**383 011 288**	**193 896 941**	**(189 114 347)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	114 691 000	32 494 000	**147 185 000**	37 723 406	**(109 461 594)**	[BC13]
Receivables from exchange transactions	2 037 108 000	(769 999 957)	**1 267 108 043**	257 752 593	**(1 009 355 450)**	[BC14]
VAT receivable	70 675 604	-	**70 675 604**	214 230 299	**143 554 695**	[BC15]
Cash and cash equivalents	37 974 000	(6 322 000)	**31 652 000**	30 500 247	**(1 151 753)**	[BC16]
	2 260 448 604	**(743 827 957)**	**1 516 620 647**	**540 206 545**	**(976 414 102)**	
Non-Current Assets						
Property, plant and equipment	733 338 000	9 523 664 174	**10 257 002 174**	8 505 286 736	**(1 751 715 438)**	[BC17]
Intangible assets	1 734 173 000	(1 710 248 937)	**23 924 063**	3 291 963	**(20 632 100)**	[BC18]
Heritage assets	664 934	-	**664 934**	432 000	**(232 934)**	[BC19]
Operating lease asset	-	-	**-**	4 024 622	**4 024 622**	
	2 468 175 934	**7 813 415 237**	**10 281 591 171**	**8 513 035 321**	**(1 768 555 850)**	
Total Assets	**4 728 624 538**	**7 069 587 280**	**11 798 211 818**	**9 053 241 866**	**(2 744 969 952)**	
Liabilities						
Current Liabilities						
Finance lease obligation	(188 302 806)	-	**(188 302 806)**	3 397 673	**191 700 479**	[BC20]
Payables from exchange transactions	3 760 620 000	(2 562 149 778)	**1 198 470 222**	1 795 960 061	**597 489 839**	[BC21]
VAT payable	173 744 286	-	**173 744 286**	25 701 913	**(148 042 373)**	[BC15]
Consumer deposits	-	-	**-**	3 866 790	**3 866 790**	
Employee benefit obligation	-	-	**-**	4 676 597	**4 676 597**	
Unspent conditional grants and receipts	-	-	**-**	90 083 919	**90 083 919**	[BC22]
Consumer deposits	212 439 000	(204 877 836)	**7 561 164**	-	**(7 561 164)**	[BC23]
	3 958 500 480	**(2 767 027 614)**	**1 191 472 866**	**1 923 686 953**	**732 214 087**	
Non-Current Liabilities						
Finance lease obligation	4 489 795 000	5 715 528	**10 205 323**	-	**(10 205 323)**	[BC20]
Employee benefit obligation	(371 350 000)	249 999 672	**(121 350 328)**	80 426 723	**201 777 051**	[BC24]
Landfill site provision	-	-	**-**	5 403 991	**5 403 991**	[BC25]
	4 118 445 000	**255 715 200**	**(111 145 005)**	**85 830 714**	**196 975 719**	
Total Liabilities	**8 076 945 480**	**(2 511 312 414)**	**1 080 327 861**	**2 009 517 667**	**929 189 806**	
Net Assets	**(3 348 320 942)**	**9 580 899 694**	**10 717 883 957**	**7 043 724 199**	**(3 674 159 758)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(3 348 320 942)	9 580 899 694	**10 717 883 957**	7 043 724 199	**(3 674 159 758)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	139 210 000	-	**139 210 000**	131 288 566	**(7 921 434)**	
Grants	1 583 956 000	29 405 000	**1 613 361 000**	1 509 753 816	**(103 607 184)**	
Interest income	13 702 000	(7 378 000)	**6 324 000**	3 621 608	**(2 702 392)**	
Other receipts	241 149 000	(99 450 000)	**141 699 000**	-	**(141 699 000)**	
	1 978 017 000	**(77 423 000)**	**1 900 594 000**	**1 644 663 990**	**(255 930 010)**	
Payments						
Suppliers and and employees	(1 436 419 000)	148 272 000	**(1 288 147 000)**	(1 122 050 132)	**166 096 868**	
Finance costs	(358 000)	(7 378 000)	**(7 736 000)**	(43 516 843)	**(35 780 843)**	
	(1 436 777 000)	**140 894 000**	**(1 295 883 000)**	**(1 165 566 975)**	**130 316 025**	
Net cash flows from operating activities	**541 240 000**	**63 471 000**	**604 711 000**	**479 097 015**	**(125 613 985)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(523 194 000)	(77 170 000)	**(600 364 000)**	(437 801 221)	**162 562 779**	
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(20 467 056)	**(20 467 056)**	
Net increase/(decrease) in cash and cash equivalents	18 046 000	(13 699 000)	**4 347 000**	20 828 738	**16 481 738**	
Cash and cash equivalents at the beginning of the year	19 928 000	-	**19 928 000**	29 437 305	**9 509 305**	
Cash and cash equivalents at the end of the year	**37 974 000**	**(13 699 000)**	**24 275 000**	**50 266 043**	**25 991 043**	

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Offsetting

Financial assets and liabilities are offset, and net amount reported on the statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables from exchange transactions

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to receivable balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance is estimated to write stock down to the lower of cost or net replacement cost. Management have made estimates of the replacement costs on certain inventory items using replacement prices of the same items of inventory at year end. .The write down is included in the operation surplus note .

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. estimated expenditure to be incurred to settle the liability is recognised as a provision. Where the effect of time value of money is material, the liability is discounted. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the liability include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the medical obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the prime interest rate of 8.25% at year end to discount future cash flows where the effect of time value of money is material, unless otherwise stated.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follows:

The municipality assesses whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit. The municipality also considers whether it has the power to direct significant terms and conditions of the transaction in determining whether it is an agent or principal.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that Is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Additional information is disclosed in Note 55.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Point that water meet the definition of inventory

Key judgements made and assumptions applied to establish where water, minerals, oils and gas and other non-regenerative resources meet the definition of inventory, are as follows:

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not classified as inventory.

Designation of assets as non-cash-generating, or cash-generating

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash generating. The designation is made based on a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Cash and cash equivalents

Cash and cash equivalents are measured at cost.

Cash includes cash on hand with banks. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on the call with banks.

Long-term liabilities

Liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Long services awards

The entitlement to long service award benefits is based on the employee remaining in service and the completion of a minimum service period of 10 years. Independent qualified actuaries carry out valuations of these obligations using the projected unit method. The assumptions used in determining the liability include the discount rate. Any changes in these assumptions will impact on the carrying amount of long service award. Additional information is disclosed in Note 15.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Subsequent events

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provide evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the balance sheet date are disclosed by way of note to the financial statements.

Disclosure for each material category of non - adjusting events after the reporting date is done disclosing the nature of the event and the estimation of its financial effect of a statement that such an estimation cannot be made.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 30 years
Plant and machinery	Straight-line	4 - 10 years

Accounting Policies

1.6 Property, plant and equipment (continued)

Furniture and fixtures	Straight-line	5 - 7 years
Motor vehicles	Straight-line	7 - 15 years
Information Technology equipment	Straight-line	4 years
Specialised vehicles	Straight-line	15 years
Water reservoir reticulation	Straight-line	5 - 60 years
Sewerage purification	Straight-line	5 - 60 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 7).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Accounting Policies

1.8 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 years
Blyde water utility	Straight-line	20 years
Licenses	Straight-line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Intangible assets (continued)

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

1.9 Heritage assets (continued)

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Financial instruments comprise of financial assets and liabilities in accordance with GRAP 104.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A residual interest is any contract that entitles the holder to an interest in the assets of a municipality after deducting all of its liabilities net assets.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

Accounting Policies

1.10 Financial instruments (continued)

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its unaudited statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

Accounting Policies

1.10 Financial instruments (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short term receivables and payables are not discounted were initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

1.10 Financial instruments (continued)

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification f the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.11 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

Accounting Policies

1.11 Statutory receivables (continued)

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

1.11 Statutory receivables (continued)

Accrued interest

The municipality does not charge any interest on statutory receivables.

Other charges

The municipality does not levy any other charges statutory receivables.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.12 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

1.14 Impairment of non-cash-generating assets (continued)

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.14 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Net Assets

Net assets consist of residual interest of the municipality after deducting all of its liabilities.

Accounting Policies

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

The Municipality provides short term benefits, long term benefits and long service awards for its employees and councillors.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits provided by the municipality are as follows:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and cars and cellphones) for current employees.

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position.

Bonus Provisions

The Municipality recognises the expected cost of bonuses as a provision only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;

Accounting Policies

1.16 Employee benefits (continued)

- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

The municipality provides post-employment medical care benefits to retired employees after completion of a minimum service period. The expected cost of these benefits is accrued over the life expectancy of the retired employees.

The Municipality has an obligation to provide Long-service Allowance Benefits to all its employees.

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Long-service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.19 Revenue from exchange transactions (continued)

Services charges

Service charges relating to water is based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

Interest Income

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.20 Revenue from non-exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.20 Revenue from non-exchange transactions (continued)

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Gifts and donations, including goods in-kind

Donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Services in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.23 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and I or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Accounting Policies

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.28 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.29 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.32 Additional disclosure in terms of Municipal Finance Management Act

The Municipal Finance Management Act requires the Municipality to disclose details of amounts invoiced, amounts paid and outstanding balances relating to Contributions to organised local government, Audit fees, payments to SARS in respect of employee taxes (PAYE, UIF and SDL), Pension and Medical Aid Deductions as well as VAT. The Municipality collects such information from its records and disclosed it in Note 52

1.33 Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis. VAT control debit and credit accounts (recognised on transaction(s) date before payments) are presented separately and they do not form part of financial instruments. Once payments are received or paid, the VAT receivable or payable from/(to) SARS is presented on a net basis and is accounted as a statutory receivable under GRAP 108 or statutory payable in line with GRAP 19.

Notes to the Annual Financial Statements

	2022	2021
	R	R

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The impact of this standard is currently being assessed.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. 01 April 2023.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the revisions for the first time in the 2022/2023 annual financial statements.

The impact of this revisions is currently being assessed.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality expects to adopt the revisions for the first time on 01 April 2023.

The impact of this revisions is currently being assessed.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is for years beginning on or after 01 April 2025.

The municipality expects to adopt the revisions for the first time on 01 April 2025.

The impact of this standard is currently being assessed.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called “items”).

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially “misstated” over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:
- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. 01 April 2023.

The municipality expects to adopt the interpretation for the first time on 01 April 2023.

The impact of this interpretation is currently being assessed.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading "Classification of property as investment property" (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading "Guidance on initially measuring self-constructed investment property at fair value"
  - Added clarification that investment property is measured at fair value at earliest of:
    - completion of construction or development; or
    - when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - property meets, or ceases to meet definition of investment property and
    - evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity ("the management entity") the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as "management" as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to "financial statements" or "face of the financial statements"

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
  - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The municipality expects to adopt the improvements for the first time in the 2022/2023 annual financial statements.

The impact of this improvements is currently being assessed.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

The impact of this amendment is currently being assessed.

	2022 R	2021 R

3. Inventories

	2022 R	2021 R
Consumable stores	37 219 406	22 885 316
Water for distribution	504 000	120 866
	37 723 406	**23 006 182**

Inventories recognised as an expense during the year	32 071 868	66 022 903

Inventory pledged as security

No inventory was pledged as security in the period under review.

Prior period errors

In the process of finalising financial statements for current year, the municipality identified and corrected errors relating to completeness, accuracy and validity of inventory purchases, issues and valuations affecting the previous year's financial statements. Some items of inventory had quantities on the valuation report but were excluded from valuation while others had values without quantities. Also, some items of property, plant and equipment were incorrectly reported as inventory. The valuation also resulted in some items with negative values. Water for distribution was reported separately per municipality without specifying that it was water inventory. In the current year, the two were consolidated into one line item. Further, other reclassifications affecting consumable stores were processed. The Municipality also corrected prior period errors relating to completeness, accuracy and valuation on inventories that were reported in the 2021 financial year. The table below summarises the effects:

Details	**As previously reported R**	**Reclassifications R**	**Correction of errors R**	**Restated R**
Consumable stores	30 346 771	(3 900)	(7 457 555)	22 885 316
Greater Letaba Municipality	66 746	(66 746)	-	-
Greater Tzaneen Municipality	54 120	(54 120)	-	-
Water for distribution	-	120 866	-	120 866
	30 467 637	**(3 900)**	**(7 457 555)**	**23 006 182**

4. Receivables from exchange transactions

		2022 R	2021 R
Ba - Phalaborwa Municipality [2]	4.1	-	-
Consumer debtors - Water and sanitation	4.2	237 497 387	96 544 063
Eskom - deposits		8 182 917	9 441 949
Prepaid expenditure	4.3	2 088 223	1 104 133
RBIG project- Mametja Sekororo		(333 860)	590 717
Service providers	4.4	9 068 909	10 764 670
Staff debtors	4.5	1 249 017	3 154 681
		257 752 593	**121 600 213**

	2022 R	2021 R
Other non-financial asset receivables included in receivables from exchange transactions above are as follows:		
Prepaid expenditure	2 088 223	1 104 133
Staff debtors	1 249 017	3 154 681
	3 337 240	**4 258 814**
Financial asset receivables included in receivables from exchange transactions above	**254 415 353**	**117 341 399**
Total receivables from exchange transactions	257 752 593	121 600 213

There are no statutory receivable in the receivables from exchange transactions disclosed above.

4.1. Ba - Phalaborwa Municipality

Notes to the Annual Financial Statements

	2022 R	2021 R

4. Receivables from exchange transactions (continued)

The debt owed by Ba-Phalaborwa Local Municipality has been impaired at year end following the assessment performed by Council. This was mainly informed by the realisation that the prospects of ever getting cash out of this reasonable are very minimum. The table below details the gross amount as well as impairment:

Description		
Gross carrying amount	397 043 179	419 008 931
Less impairment allowance	(397 043 179)	(419 008 931)
	-	-

The loan account is broken down into loan accounts and agency fees as tabulated below:

Description		
Loan Balance	455 202 869	453 376 831
Agency Fees Payable	(58 159 690)	(34 367 900)
	397 043 179	**419 008 931**

Notes to the Annual Financial Statements

	2022 R	2021 R

4. Receivables from exchange transactions (continued)

4.2. Consumer debtors - Water and sanitation

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to their historical information about how they service their municipal accounts.

	2022 R	2021 R
Gross balances		
Sewerage	287 816 217	254 263 887
Water	1 439 764 430	1 280 204 059
	1 727 580 647	**1 534 467 946**
Less: Allowance for impairment		
Sewerage	(253 652 733)	(238 190 467)
Water	(1 236 430 528)	(1 199 733 416)
	(1 490 083 261)	**(1 437 923 883)**
Net balance		
Sewerage	34 163 484	16 073 420
Water	203 333 902	80 470 643
	237 497 386	**96 544 063**
Sewerage - Ageing		
Current (0 -30 days)	5 464 454	5 104 492
31 - 60 days	5 093 322	2 990 938
61 - 90 days	3 330 544	3 297 738
91 - 120 days	3 435 602	3 307 827
121 - 365 days	270 492 295	239 562 892
	287 816 217	**254 263 887**
Water - Ageing		
Current (0 -30 days)	30 901 492	30 111 910
31 - 60 days	25 876 102	18 810 263
61 - 90 days	14 212 190	16 948 722
91 - 120 days	15 882 068	15 820 368
121 - 365 days	1 352 892 577	1 198 512 796
	1 439 764 429	**1 280 204 059**

Summary of debtors by customer classification

	2022 R	2021 R
Consumers		
Current (0 -30 days)	24 757 773	42 925 983
31 - 60 days	24 084 202	17 657 359
61 - 90 days	12 925 121	14 660 466
91 - 120 days	15 997 389	15 395 426
121 - 365 days	1 447 907 358	1 286 334 371
Subtotal	**1 525 671 843**	**1 376 973 605**
Less: Allowance for impairment	(1 316 040 227)	(1 287 653 790)
	209 631 616	**89 319 815**

Notes to the Annual Financial Statements

	2022 R	2021 R

4. Receivables from exchange transactions (continued)

Industrial/ commercial		
Current (0 -30 days)	6 736 679	4 505 053
31 - 60 days	4 702 250	1 545 919
61 - 90 days	3 762 290	1 290 361
91 - 120 days	1 887 807	1 315 752
121 - 365 days	71 990 621	57 174 496
Subtotal	**89 079 647**	**65 831 581**
Less: Allowance for impairment	(78 676 460)	(62 651 594)
	10 403 187	**3 179 987**

National and provincial government		
Current (0 -30 days)	4 871 493	3 399 949
31 - 60 days	2 182 973	1 127 876
61 - 90 days	855 323	1 022 377
91 - 120 days	1 432 474	1 084 443
121 - 365 days	103 486 893	85 028 117
Subtotal	**112 829 156**	**91 662 762**
Less: Allowance for impairment	(95 366 575)	(87 618 499)
	17 462 581	**4 044 263**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 437 923 884)	(1 221 977 316)
Contributions to allowance	(52 159 378)	(215 946 568)
	(1 490 083 262)	**(1 437 923 884)**

Receivables breakdown by municipality

The table below shows the gross consumer debtors by category and municipality of origin as well as related impairment.

2022	Ba-Phalaborwa	Tzaneen	Giyani	Letaba	Maruleng	Total
Sewerage	168 183 999	30 263 760	40 209 483	48 579 696	579 280	287 816 218
Water	1 070 987 891	126 499 192	179 321 456	60 134 924	2 820 967	1 439 764 430
Subtotal	**1 239 171 890**	**156 762 952**	**219 530 939**	**108 714 620**	**3 400 247**	**1 727 580 648**
Less: Allowance for impairment	(1 038 055 055)	(155 522 639)	(186 651 626)	(107 917 156)	(1 936 785)	(1 490 083 261)
	201 116 835	**1 240 313**	**32 879 313**	**797 464**	**1 463 462**	**237 497 387**

2021	Ba-Phalaborwa	Tzaneen	Giyani	Letaba	Maruleng	Total
Sewerage	145 258 002	27 059 610	35 252 564	46 229 624	464 087	254 263 887
Water	918 275 834	121 519 295	180 144 770	57 902 771	2 361 390	1 280 204 060
Subtotal	**1 063 533 836**	**148 578 905**	**215 397 334**	**104 132 395**	**2 825 477**	**1 534 467 947**
Less: Allowance for impairment	(1 058 351 057)	(144 760 073)	(130 323 330)	(102 912 697)	(1 576 727)	(1 437 923 884)
	5 182 779	**3 818 832**	**85 074 004**	**1 219 698**	**1 248 750**	**96 544 063**

Consumer debtors pledged as security

There were no consumer receivables that were pledged as security against any of the municipal liabilities at year end.

	2022 R	2021 R

4. Receivables from exchange transactions (continued)

4.3. Prepaid expenditure

Prepaid expenditure relates to fuel that has been paid in advance at the end of the year.

4.4. Service providers

Service provider debtors are stated at net carrying amount after deducting the allowance for impairment as detailed it the table below:

Description		
Gross carrying amount	10 413 347	12 109 108
Less impairment allowance	(1 344 438)	(1 344 438)
	9 068 909	**10 764 670**

4.5. Staff debtors

Staff debtors are stated at net carrying amount after deducting the allowance for impairment as detailed it the table below:

Description		
Gross carrying amount	4 285 892	4 437 282
Less impairment allowance	(3 036 874)	(1 282 600)
	1 249 018	**3 154 682**

Trade and other receivables pledged as security

There were no receivables from exchange transactions that were pledged as security against any of the municipal liabilities at year end.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to their historical information about how they service their municipal accounts.

Trade and other receivables past due but not impaired

Consumer debtors which are between 0-30 days are not to be impaired. As at 30 June 2022, R36 365 946 (2021: R35 216 402) was current and not impaired.

Trade and other receivables impaired

As of 30 June 2022, trade and other receivables of R1 691 214 701 (2021: R1 499 251 544) were impaired and provided for.

The amount of impairment was R1 490 083 261 as of 30 June 2022 (2021: R1 437 923 883).

4.6. Prior period errors

During the current financial year, errors were identified where the municipality misstated its consumer debtors in the previous years. These were due to incomplete billing, errors in impairment calculations, preparing financial statements that were not tying to general ledger, payroll, and billing reports. Further, the municipality's accrual inventories at local municipalities had been misstated by mixing it with local municipality's own consumables. Also, errors in calculations of the agency fees due to the local municipalities were identified and corrected. There errors resulted in the district having differences between financial statements and underlying supporting documents. The municipality was incorrectly recording cash paid as debit orders for fuel as fuel expenses even though this was monthly upfront payments, and the consumption was much less than the amount advance. This resulted in overstatement of expenditure and understatement of prepayments. Also noted and corrected was the fact that the municipality was incorrectly recognising revenue from its Agency relations with the department of Water Affairs with respect to the RBIG Mamejta Sekororo project when the contract did not allow for this. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The accounts payable and the related expenditure were updated accordingly.

	2022 R	2021 R

4. Receivables from exchange transactions (continued)

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
Ba - Phalaborwa Municipality	472 903 827	(4 336 893)	(468 566 934)	-
Consumer debtors - Water and sanitation	227 447 094	-	(130 903 030)	96 544 064
Eskom - deposits	9 441 949	-	-	9 441 949
Other receivables	-	-	1 104 133	1 104 133
RBIG project- Mametja Sekororo	2 381 417	1 516 653	(3 307 353)	590 717
Service providers	11 547 513	-	(782 843)	10 764 670
Greater Tzaneen Municipality	7 700	(7 700)	-	-
VAT receivables	222 484 993	(222 484 993)	-	-
Staff debtors	3 186 682	-	(32 001)	3 154 681
	949 401 175	**(225 312 933)**	**(602 488 028)**	**121 600 214**

5. VAT receivable

	2022 R	2021 R
VAT	214 230 299	194 464 507

The VAT receivable represents VAT on invoice recognition dates pending their settlement. Also included in the amount above is VAT receivable from the South African Revenue Service following the submission of the returns. The table below shows the breakdown:

	2022 R	2021 R
VAT due from SARS	24 060 646	10 058 926
VAT input accrual	190 169 653	184 405 581
	214 230 299	**194 464 507**

Prior period errors

In the previous year, VAT receivable and VAT output accrual we incorrectly netted off and reported as part of receivables from exchange transactions. These have now been reclassified to their own financial statement areas of the Statement of Financial Position to achieve a more accurate presentation. Further, errors involving expenditure and assets recorded inclusive of VAT, inclusion of VAT on transactions that had no VAT, transactions recorded in correct accounting periods and well as duplications were identified and corrected retrospectively in accordance with GRAP 3 - Changes in Accounting Policies, Accounting Estimates and Errors.

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
VAT receivable	-	224 858 659	(30 394 156)	194 464 503

Notes to the Annual Financial Statements

	2022 R	2021 R

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022 R	2021 R
Bank balances	2 347 977	8 054 805
Short-term deposits	28 152 270	21 382 500
	30 500 247	**29 437 305**

Cash and cash equivalents pledged as collateral

No item of cash and cash equivalents has been pledged as security.

Credit quality of cash at bank and short term deposits, excluding cash on hand has been disclosed on Note 46

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
FNB BANK - 62854372093 [1]	64 092	8 059 207	-	2 349 457	8 059 207	-
FNB BANK - 62858452205	26 854	20 490 148	-	26 854	20 490 148	-
FNB BANK - 62858453568	28 125 402	892 334	-	28 125 402	892 331	-
ABSA BANK - 40-5277-1364	-	-	7 850 964	-	-	7 850 964
ABSA BANK- 40-8091-1671	-	-	40 684 580	-	-	40 684 580
ABSA BANK - 40-8091-0832	-	-	65 090 651	-	-	65 090 651
GROWBUS - 40-8937-0	-	-	1 973	-	-	1 973
ABSA BANK - 93-5597-9404	-	-	103 143 929	-	-	103 143 929
Total	**28 216 348**	**29 441 689**	**216 772 097**	**30 501 713**	**29 441 686**	**216 772 097**

[1] The difference between the cash book balance and bank statement was due to valid reconciling items which all cleared after year end.

Prior period errors

In the previous year, interest receivable from the call accounts was incorrectly reported under bank balances instead of short-term deposits. Further, the municipality identified some duplicated transactions and some transactions reported on financial statements but not posted in the general ledgers. These errors misstated the 2021 previously reported bank balances. These were all corrected retrospectively in accordance with GRAP 3 - Changes in Accounting Policies, Accounting Estimates and Errors.

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
Bank balances	8 150 118	(897 080)	801 766	8 054 804
Short-term deposits	22 899 478	897 080	(2 414 058)	21 382 500
	31 049 596	**-**	**(1 612 292)**	**29 437 304**

Notes to the Annual Financial Statements

	2022 R	2021 R

7. Property, plant and equipment

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	192 316 269	(82 971 126)	109 345 143	191 476 869	(74 609 815)	116 867 054
Infrastructure	8 508 130 851	(2 171 264 848)	6 336 866 003	8 278 719 783	(1 937 682 032)	6 341 037 751
Land	11 980 776	-	11 980 776	11 980 776	-	11 980 776
Other leased Assets	8 563 961	(8 441 433)	122 528	61 772 413	(43 655 737)	18 116 676
Other property, plant and equipment	166 623 623	(68 615 328)	98 008 295	101 920 449	(44 037 269)	57 883 180
Work in progress	1 948 963 991	-	1 948 963 991	1 765 358 581	-	1 765 358 581
Total	**10 836 579 471**	**(2 331 292 735)**	**8 505 286 736**	**10 411 228 871**	**(2 099 984 853)**	**8 311 244 018**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers	Other Changes [1]	Write Offs	Depreciation	Impairment loss	Total
Buildings	116 867 054	839 400	-	-	-	(7 962 368)	(398 943)	109 345 143
Infrastructure	6 341 037 751	105 753 917	124 535 193	(878 039)	-	(202 956 774)	(30 626 045)	6 336 866 003
Land	11 980 776	-	-	-	-	-	-	11 980 776
Other leased Assets	18 116 676	-	-	-	-	(17 994 148)	-	122 528
Other property, plant and equipment	57 883 180	24 464 840	40 238 335	-	-	(11 250 608)	(13 327 452)	98 008 295
Work in progress	1 765 358 581	308 140 603	(124 535 193)	-	-	-	-	1 948 963 991
	8 311 244 018	**439 198 760**	**40 238 335**	**(878 039)**	**-**	**(240 163 898)**	**(44 352 440)**	**8 505 286 736**

[1] This amount arose due to the annual valuation of the landfill site. There was a decrease in the liability at the end of the year and IGRAP 2 paragraph 5 requires this to be credited to the asset and only be taken to Statement of Financial Performance when the asset has been reduced to Rnil.

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers	Write Offs	Depreciation	Impairment loss	Total
Buildings	111 846 872	12 143 412	-	-	(7 123 230)	-	116 867 054
Infrastructure	6 237 669 362	136 877 613	148 352 128	-	(178 628 519)	(3 232 833)	6 341 037 751
Land	11 980 776	-	-	-	-	-	11 980 776
Other leased Assets	55 440 565	-	-	(6 733 116)	(30 590 773)	-	18 116 676
Other property, plant and equipment	35 417 561	32 385 445	-	-	(9 919 826)	-	57 883 180
Work in progress	1 372 512 056	552 297 318	(148 352 128)	-	-	(11 098 665)	1 765 358 581
	7 824 867 192	**733 703 788**	**-**	**(6 733 116)**	**(226 262 348)**	**(14 331 498)**	**8 311 244 018**

Pledged as security

There were no assets held as security for any of the municipal liabilities.

Notes to the Annual Financial Statements

	2022 R	2021 R

7. Property, plant and equipment (continued)

Compensation received for losses on property, plant and equipment – included in operating profit.

Insurance claims	582 692	457 405

Assets subject to finance lease (Net carrying amount)

Motor vehicles	122 524	18 082 339
Office equipment	-	34 338
	122 524	**18 116 677**

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Sanitation network	195 926 071	197 079 019
Water network	1 753 038 005	1 568 279 648
	1 948 964 076	**1 765 358 667**

Notes to the Annual Financial Statements

	2022 R	2021 R

7. Property, plant and equipment (continued)

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Refurbishment of Nkowankowa sewer plant	5 706 000	5 706 000

Appointed contractors withdrew from the project. A new report was developed to ensure both refurbishment and upgrading. Municipality currently sourcing funds to complete the project..

Refurbishment of sewer pump	2 091 552	2 091 552

The project was delayed by project management.

Sekgosese Ground water development scheme	6 781 442	6 781 442

The overall project is a multi-year project. Delays were experienced on construction phases due to delay in ESKOM to connect boreholes and pump stations.

Construction of water reticulation in GA-Wally village	4 650 971	4 650 971

The project was delayed by project management.

Refurbishment DWAF	10 269 856	10 269 856

The project was delayed by project management.

Borehole development	251 645 634	251 645 634

The project was delayed by project management and Eskom energising.

Upgrading of water reticulation Maruleng	45 635 103	45 635 103

The project was delayed by project management..

Selwane Water Phase 2 D	9 895 782	9 895 782

The project was delayed by project management..

Tours Bulk Water Scheme	60 031 583	60 031 583

The project was delayed by project management..

Lenyenye Sewerage plant	42 533 661	42 533 661

The project was delayed by project management..

Upgrading of Senwamokgope Sewage Plant	21 987 362	21 987 362

The project was delayed by project management..

Upgrading of Phalaborwa Sewage Plant	37 201 383	37 201 383

The project was delayed by project management..

Upgrading of Nkowankowa Sewage Plant	16 350 998	16 350 998

The project was delayed by project management..

Notes to the Annual Financial Statements

	2022 R	2021 R
7. Property, plant and equipment (continued)		
Kampersrus Sewage Plant	56 786 033	56 786 033
The project was delayed by project management..		
Jopie Mawa - Ramotshinyadi	171 119 154	171 119 154
The project was delayed by project management..		
Namakgale Sewarage Project	3 518 468	3 518 468
The project was delayed by project management..		
Upgrade of Water Reticulation GTM	15 740 464	15 740 464
The project was delayed by project management..		
Kampersrus Water Supply	32 780 364	32 780 364
The project was delayed by project management..		
Tours - Refurbishment	15 526 533	15 526 533
The project was delayed by project management..		
Hoedspruit Bulk Water Supply	59 556 733	59 556 733
The project was delayed by project management..		
Refurbishment - Giyani water works	17 464 513	17 464 513
The project was delayed by project management..		
Extension of scope for Sekgosese and Worcester Schemes - Senakwe	1 843 586	1 843 586
The project was delayed by project management..		
Extension of scope for Sekgosese and Worcester Schemes - Kuranta	1 972 479	1 972 479
The project was delayed by project management..		
Upgrading of Tshelang Gape Sewer Reticulation	6 768 761	6 768 761
The project was delayed by project management..		
Construction of Muhlava Water Pump Station	2 564 261	2 564 261
The project was delayed by project management..		
Upgrading of Maapane Water Reticulation Network	1 140 514	1 140 514
The project was delayed by project management..		
Upgrading of the internal water reticulation and extensions-Kuranta	824 904	824 904
The project was delayed by project management..		

	2022 R	2021 R
7. Property, plant and equipment (continued)		
Makosha Village: Construction of A 1.7 km, 110 mm PVC Bulk pipeline and 300kl elevated Steel Tank	55 102	55 102
The project was delayed by project management..		
Replacement and resizing of Water storage tank-Makhushane(Mapikiri Reservoir)	11 918 200	11 918 200
The project was delayed by project management..		
Upgrading of Internal Water Reticulation network-Zava	6 689 188	6 689 188
The project was delayed by project management..		
Refurbishment of Control panels for clear water at Giyani water Works	1 306 060	1 306 060
The project was delayed by project management..		
Assesment and refurbishing of water infrustructure in the willows and sedawa village	4 611 115	4 611 115
The project was delayed by project management..		
Drought Relief (WSIG) Boreholes	41 521 948	41 521 948
The project was delayed by project management..		
Assesment and refurbishing of water infrustructure of electo mechenical components Khanyisa village	3 436 050	3 436 050
The project was delayed by project management..		
Lephephane water reticulation	49 526 794	49 526 794
The project was delayed by project management..		
Lulekani water scheme (Namakgale)	3 822 181	3 822 181
The project was delayed by project management..		
Upgrade and refurbishment of middle letaba water treatment works	5 658 570	5 658 570
The project was delayed by project management..		
Molalane Water works	7 687 660	7 687 660
The project was delayed by project management..		
Repair and Installation of Pumps and Motor (Nkambako Water Works)	3 120 350	3 120 350
The project was delayed by project management..		
Lulekani water scheme- covid 19 project	2 453 257	2 453 257
The project was delayed by project management..		
Construction of water Reticulation Ngovhe	13 912	13 912
The project was delayed by project management..		

	2022 R	2021 R
7. Property, plant and equipment (continued)		
Nkambako Water Treatment works	3 994 424	3 994 424
The project was delayed by project management..		
Sekgopo Water Supply Covid 19	4 838 510	4 838 510
The project was delayed by project management..		
Refurbishment of Kgapane Waste WaterTreatment	4 446 132	4 446 132
The project was delayed by project management..		
Tours Water Reticulation covid 19	8 305 862	8 305 862
The project was delayed by project management..		
Tours Bulk Water Scheme (Upgrading of Tours Water Treatment	18 969 512	18 969 512
The project was delayed by project management..		
Dzumeri upgrading of internal Reticulation	26 155	26 155
The project was delayed by project management..		
Makhuvha_upgrading of internal water reticulation newtwork	335 970	335 970
The project was delayed by project management..		
Maruleng LM Ground Water Augmentation	2 605 072	2 605 072
The project was delayed by project management..		
	1 087 730 118	**1 087 730 118**

This disclosure was not reported completely and accurately in the previous year.

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Buildings (Mopani Office buildings)	1	1
The municipality abandoned construction of new office building at the Tzaneen Disaster Centre due to termination of service provider (Kgafela Cosntruction) which subsequently let to Litigation. The project was impaired to the carrying value of R1 in the 2017/2018 financial period.		
Modjadji Royal Pavilion and extension of fencing	1	1
The municipality abandoned project due to land dispute between the royal household and the municipality The royal household gave the municipality another site to execute the project other than the initially provided at the beginning of the project. The project was also impaired to the carrying value of R1 in the 2017/18 financial period.		
Namakgale Sewer Project	1	1
The municipality abandoned project due to the fact that the municipality terminated contract with consultant responsible for running the project. The project was also impaired to the carrying value of R1 in the 2017/18 financial period.		
	3	**3**

Notes to the Annual Financial Statements

	2022 R	2021 R

7. Property, plant and equipment (continued)

The three projects impaired had a total cost of R54 940 945 in the financial period 2017/2018 when there were impaired.

This disclosure was not reported completely and accurately in the previous year.

Reconciliation of Work-in-Progress 2022

	Sanitation	Water	Total
Opening balance	197 079 019	1 568 279 648	1 765 358 667
Additions/capital expenditure	1 449 348	306 691 255	308 140 603
Transferred to completed items	(2 602 295)	(121 932 898)	(124 535 193)
	195 926 072	**1 753 038 005**	**1 948 964 077**

Reconciliation of Work-in-Progress 2021

	Sanitation	Water	Total
Opening balance	190 018 522	1 182 493 532	1 372 512 054
Additions/capital expenditure	7 060 497	541 944 384	549 004 881
Transferred to completed items	-	(29 488 277)	(29 488 277)
Prior period error	-	(126 669 991)	(126 669 991)
	197 079 019	**1 568 279 648**	**1 765 358 667**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of buildings and facilities	186 868	-
Maintenance of infrastructure	146 691 103	191 117 134
Motor vehicle and other general municipal services	10 611 141	46 032 671
Materials and supplies consumed	11 828 367	3 438 603
	169 317 479	**240 588 408**

This disclosure was omitted from the financial statements of the previous year.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Prior period errors

In the previous year, management incorrectly reported Furniture and fixtures and IT equipment separately with carrying amounts of R 1 424 286 and R (1 232 845) respectively instead of combining them with all other items of “Other property, plant and equipment” These were corrected through reclassifications retrospectively. The municipality identified a multiple number of errors affecting property, plant and equipment and related depreciation, residual, values, impairment loss of assets. In the previous years, some items of property, plant and equipment were recorded as expenses, some assets were duplicated in error while some assets on the books of the municipality did not exist. The municipality also incorrectly carried some completed project in WIP thereby understating completed assets and related depreciation. also incorrectly assessed residual values of some assets. Some payment certificates’ retention liabilities were not accrued and projects were being capitalised in WIP resulting in understatements to both WIP and retention liabilities. These have been corrected in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors.

7. Property, plant and equipment (continued)

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
Buildings	90 753 935	-	26 113 119	116 867 054
Infrastructure	4 096 068 203	(1 606 653)	2 246 576 199	6 341 037 749
Land	11 980 776	-	-	11 980 776
Other leased Assets	45 247 553	-	(27 130 877)	18 116 676
Other property, plant and equipment	46 719 030	93 900	11 070 252	57 883 182
Work in progress	1 889 423 361	-	(124 064 781)	1 765 358 580
	6 180 192 858	**(1 512 753)**	**2 132 563 912**	**8 311 244 017**

8. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	5 456 672	(2 164 709)	3 291 963	5 456 672	(1 661 876)	3 794 796

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	3 794 796	(502 833)	3 291 963

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	3 067 275	1 378 891	(651 370)	3 794 796

Pledged as security

None of the intangible assets has been pledged as security for any liability of the municipality.

8. Intangible assets (continued)

Prior period errors

The municipality identified and corrected some errors relating to transactions incorrectly posted to the Blyde Utility instead of software. Further, management incorrectly recorded the operating lease between itself and the Blyde utility company for the lease of the pipeline for 20 years as an intangible asset instead of operating lease. These errors have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The table below summarises the effects:

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
Bylde utility	6 647 256	(6 647 256)	-	-
Computer software	1 378 892	6 647 256	(4 231 352)	3 794 796
	8 026 148	**-**	**(4 231 352)**	**3 794 796**

9. Operating lease asset

Non-current assets	4 024 622	4 723 806

The Municipality is leasing a pipeline from Blyde River Water Utility company for a period of 20 years effective from 01 April 2008 to 31 March 2008. Under the arrangement, the municipality is entitled to abstract 152 803 cubic meters of water per month from the Blyderivierspoort dam without any further payments. The lease payments were agreed at R16 210 144 including VAT and this was paid upfront at the commencement of lease. The municipality is liable for contingent rent should it abstract more than the 152 803 in a month. This is to be charged at R0.83 per cubic meter.

10. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	432 000	-	432 000	432 000	-	432 000

Reconciliation of heritage assets 2022

	Opening balance	Total
Mayoral chain	432 000	432 000

Reconciliation of heritage assets 2021

	Opening balance	Total
Mayoral chain	432 000	432 000

Pledged as security

None of the heritage assets has been pledged as security for any liability of the Municipality.

Notes to the Annual Financial Statements

	2022 R	2021 R
11. Finance lease obligation		
Minimum lease payments due		
- within one year	3 411 176	20 467 056
- in second to fifth year inclusive	-	3 411 176
	3 411 176	23 878 232
less: future finance charges	(13 503)	(472 590)
Present value of minimum lease payments	**3 397 673**	**23 405 642**
Present value of minimum lease payments due		
- within one year	3 397 673	20 007 969
- in second to fifth year inclusive	-	3 397 673
	3 397 673	**23 405 642**

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 7.

Finance lease - photo copy machines

The municipality has leased printing machines under a finance lease.

The average lease term was 3 years and the average effective borrowing rate is 13.00% per annum (2021: 13.00%).

Interest rates were fixed at the contract date. All leases had fixed repayments and included additional charges for contingent rent based on paper usage.

Contingent rents	-	603 959

Finance lease - vehicles

The municipality had entered into an instalment sale agreement with Betrobrite to provide fleet solution for the municipality. The lease agreement was for effective for 36 months. Upon conclusion of the lease agreement, Mopani District Municipality would take the ownership of the vehicles. The nature of the agreement is an instalment sale agreement.

The average lease term was 3 years and the average effective borrowing rate is 9.50% per annum (2021: 9.50%9.50%).

Interest rates were fixed at the contract date. All leases had fixed repayments. There was no contingent rental on this agreement.

Prior period errors

During the current financial year, the municipality identified errors of overstatement that occurred in the previous year affecting finance lease obligation. This was overstated by R2 182 259 because of using and incorrect amortisation schedules. This was corrected retrospectively, and the details are tabulated below:

Details	**As previously reported R**	**Reclassifications R**	**Correction of errors R**	**Restated R**
Finance lease obligation	25 587 901	-	(2 182 259)	23 405 642

Notes to the Annual Financial Statements

		2022 R	2021 R

12. Payables from exchange transactions

Agency fees payables		455 257	210 628
Bonus accrual	12.1	8 756 331	9 193 718
Debtors with credit balances	12.2	2 998 070	15 984 719
Greater Giyani Municipality		26 025 194	29 194 815
Greater Letaba Municipality		166 657 994	141 523 987
Greater Tzaneen Municipality		333 908 725	304 247 808
Leave accrual	12.3	48 663 834	46 913 920
Maruleng Municipality		31 047 085	29 039 427
Payroll liabilities		14 236 672	8 398 405
Retentions		96 854 434	99 424 827
Trade creditors at local municipalities		9 952 772	3 760 121
Trade payables	12.5	1 056 403 703	957 458 935
		1 795 960 071	**1 645 351 310**

12.1. Bonus accrual

Municipality employees have structured their salary packages to include 13th cheque as bonus on the anniversary of their employment date except for employees who were transferred from Health Department and Water Department as their bonus is linked to the date, they joined the municipality. This arrangement is not applicable to Section 57 employees. In addition to the Bonus Maruleng Local Municipality has however cascaded the performance management system to its employees wherein the staff responsible for water and sanitation has been affected by the arrangement and receive the performance bonus relating to a performance. In addition to Bonus accrual the MDM has included the performance bonus awarded by Maruleng Local Municipality.

12.2. Debtors with credit balances

This relates to overpaid accounts by consumers.

12.3. Leave accrual

The municipality grants its employees 21 working days leave per year, except for section 57 employees who are entitled to 24 working days per calendar period. This leave is cumulative up to a limit of 48 working days.

There is no discounting applied to the calculation of the annual leave provisions. The leave provision is based on the estimated salaries and is capped at 48 days.

12.4. All other payables from exchange transactions

These relate to operational creditors of the municipality.

12.5. Trade payables

These represent outstanding municipal liabilities for its main operations are are tabulated below:

	2022 R	2021 R

12. Payables from exchange transactions (continued)

	2022 R	2021 R
Department of Water and Sanitation [1]	537 896 642	478 334 357
Eskom trade payables	3 253 536	8 103 945
Lepelle Northern Water [2]	324 083 570	332 129 437
SITA	257 587	223 021
Trade creditors	190 911 863	138 668 175
	1 056 403 198	**957 458 935**

[1] The municipality signed a settlement agreement with the Department of Water and Sanitation for a monthly payment of R15 million until the debt is fully paid up. The municipality is up to date with this commitment and interest being charged on outstanding amounts.

[2] The municipality entered into a debt settlement arrangements with Lepelle Northern Water. However, the municipality has defaulted on the arrangement and is now being charged interest on amounts overdue.

12.6. Prior period errors

During the current financial year, errors were identified where the municipality had duplicated certain suppliers' invoices, omitted recording of supplier invoices, misallocated expense items amongst expense general ledgers and or posted invoices in incorrect accounting periods. The municipality also incorrectly recognised revenue from discount received amounting to R160 942 118 relating to the amount owed to Lepelle Northern Water even though the municipality was not entitled to this. Also identified and corrected was the SITA liability that was stated at R2 745 496 when the municipality only owed R223 021. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The accounts payable and the related expenditure were updated accordingly.

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
Agency fees payables	21 068 630	(20 858 002)	-	210 628
Bonus accrual	9 193 719	-	-	9 193 719
Debtors with credit balances	17 915 526	-	(1 930 807)	15 984 719
Greater Giyani Municipality	23 318 127	6 050 288	(173 600)	29 194 815
Greater Letaba Municipality	135 247 503	2 147 136	4 129 348	141 523 987
Greater Tzaneen Municipality	290 900 918	7 198 724	6 148 166	304 247 808
Leave accrual	46 913 920	-	-	46 913 920
Maruleng Municipality	27 922 166	1 117 261	-	29 039 427
Other payables	(475 485 640)	475 485 640	-	-
Payroll liabilities	-	13 861 235	(5 462 829)	8 398 406
Retentions	99 424 827	-	-	99 424 827
Trade creditors at local municipalities	13 487 109	-	(9 726 988)	3 760 121
Department of Water and Sanitation	(217 400 000)	217 400 000	-	-
Lepelle Northern Water	1 548 293 993	(1 548 293 993)	-	-
Trade payables	109 132 675	841 547 118	6 779 140	957 458 933
	1 649 933 473	**(4 344 593)**	**(237 570)**	**1 645 351 310**

12.7. Financial liabilities in payables from exchange transactions

The table below shows the reconciliation of payables from exchange transactions to financial liabilities disclosed in note 40

	2022 R	2021 R
Payables from exchange transactions on Statement Financial of Position	1 795 960 071	1 645 351 310
Less: Bonus accrual - employee benefits	(8 756 331)	(9 193 718)
Less: Leave accrual - employee benefits	(48 663 834)	(46 913 920)
Less: Payroll liabilities - employee benefits	(14 236 672)	(8 398 405)
Financial liabilities included in payables from exchange transactions	**1 724 303 234**	**1 580 845 267**

12.8. Local municipalities loan accounts

12. Payables from exchange transactions (continued)

The loan accounts of the local municipalities are broken down into loan accounts and agency fees as tabulated below:

2022	Tzaneen	Giyani	Letaba	Maruleng	Total
Loan balance	324 945 364	18 647 590	164 169 102	29 681 433	537 443 489
Agency fees payable	8 963 361	7 377 604	2 488 892	1 365 651	20 195 508
	333 908 725	**26 025 194**	**166 657 994**	**31 047 084**	**557 638 997**

2021	Tzaneen	Giyani	Letaba	Maruleng	Total
Loan balance	297 041 384	23 144 527	139 374 781	27 922 166	487 482 858
Agency fees payable	7 206 424	6 050 288	2 149 205	1 117 261	16 523 178
	304 247 808	**29 194 815**	**141 523 986**	**29 039 427**	**504 006 036**

13. VAT payable

	2022	2021
VAT accrual	25 701 913	1 965 713

Prior period errors

In the previous year, VAT receivable and VAT output accrual we incorrectly netted off and reported as part of receivables from exchange transactions. These have now been reclassified to their own financial statement areas of the Statement of Financial Position to achieve a more accurate presentation. Further, errors involving expenditure and assets recorded inclusive of VAT, inclusion of VAT on transactions that had no VAT, transactions recorded in correct accounting periods and well as duplications were identified and corrected retrospectively in accordance with GRAP 3 - Changes in Accounting Policies, Accounting Estimates and Errors.

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
VAT payable	-	2 373 666	(407 955)	1 965 711

14. Consumer deposits

	2022	2021
Water	3 866 790	3 615 153

Prior period errors

The municipality identified and corrected retrospectively some prior period errors amounting to R7 056 on consumer deposits' balance of last year.

15. Employee benefit obligations

Defined benefit plan

Defined benefit plan for the municipality consists of post-employment medical aid plan and long service award. In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2022 by ARCH Actuarial Consulting.

The municipality has no legal obligations to settle this liability with any immediate contributions or additional once off contributions.

The municipality intends to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

[A] Post employment medical benefit plan (PEMA)

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. All continuation members and their eligible dependants receive a 60% subsidy. Upon a member's death-in-service or death-in-retirement the surviving dependants will not continue to receive a subsidy.

This obligation is not cash backed at the end of the year. Further, the municipality does not have separate investments or assets to fund this (the obligation is wholly unfunded).

[B] Long service award (LSA)

The municipality provides long-service award to its permanent employees.

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

In accordance with the prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2022.

The benefits awarded for long term are calculated as follows:

Completed service (In years)	Long services Bonuses (% of annual Earnings)	Description
10 years	0.40 %	10/250 x annual earnings
15 years	0.80 %	20/250 x annual earnings
20,25,30,35,40,45 years	12.00 %	30/250 x annual earnings

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contribution.

This obligation is not cash backed at the end of the year. Further, the municipality does not have separate investments or assets to fund this (the obligation is wholly unfunded).

Notes to the Annual Financial Statements

	2022 R	2021 R

15. Employee benefit obligations (continued)

Post retirement medical aid plan and Long service award

Valuation Method

The projected Unit Credit Funding method has been used to determine the past service liabilities at the valuation date and expense in the year following the valuation date.

Liability of employer

Liabilities of an employer may be split between a past-service (or accrued) element and a future-service element. This serves to recognise the manner in which the accounting standards suggest that the liabilities be accrued uniformly over an employee's period of service. The method of accrual that has been used in this valuation is based on length of service at the valuation date relative to total potential service until the expected retirement date.

Valuation assets

As at the valuation date, the medical aid liability and long service award of the Municipality are unfunded. (No dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

The amounts recognised in the statement of financial position are as follows:

	2022 R	2021 R
Carrying value		
Present value of the defined benefit obligation - wholly unfunded - PEMA	(59 910 151)	(53 464 820)
Present value of the defined benefit obligation-wholly unfunded - LSA	(25 193 169)	(23 584 088)
	(85 103 320)	**(77 048 908)**
Non-current liabilities	(80 426 723)	(72 794 086)
Current liabilities	(4 676 597)	(4 254 822)
	(85 103 320)	**(77 048 908)**

Changes in the present value of the defined benefit obligation are as follows:

	2022 R	2021 R
Opening balance	77 048 908	70 717 727
Benefits paid	(3 887 119)	(5 103 225)
Net expense recognised in the statement of financial performance	11 941 531	11 434 406
	85 103 320	**77 048 908**

Net expense recognised in the statement of financial performance

	2022 R	2021 R
Current service cost	4 305 756	3 940 657
Interest cost	7 583 151	6 723 518
Actuarial (gains) losses	52 624	770 231
	11 941 531	**11 434 406**

Calculation of actuarial gains and losses

	2022 R	2021 R
Actuarial (gains) losses – Obligation	52 624	770 231

Notes to the Annual Financial Statements

	2022 R	2021 R

15. Employee benefit obligations (continued)

Key assumptions used

[A] Post-employment medical aid plan

In estimating the liability for the post-employment health care benefits a number of assumptions are required. The GRAP 25 statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time. The key financial and demographic assumptions are summarised below:

Financial variables

The most important financial variables used in our valuation are the discount and medical aid inflation rates. We have assumed the following values for these variables.

	2022	2021
Discount rates used	11.84 %	10.57 %
Maximum subsidy inflation rate	5.96 %	4.94 %
Health care cost inflation rate	8.45 %	7.08 %

Demographic Assumptions

	2022	2021
Average retirement age	62	62
Continuation of membership at retirement	75.00 %	75.00 %
Proportion with a spouse dependent at retirement	60.00 %	60.00 %
Proportion of eligible in-service non-members joining a scheme by retirement	15.00 %	15.00 %
Mortality during retirement	SA85-90	SA85-90
Mortality post retirement	PA (90)-1	PA (90)-1

[B] Long service award

Key assumptions for long service awards are as follows:

Financial variables

	2022	2021
Discount rate used	10.93 %	8.89 %
General earnings inflation rate (Long-term)	7.34 %	5.74 %
Net effective discount rate	3.34 %	3.07 %

The earnings used in the valuation include assumed increase of 4% as per the SALGBC Circular No.: 23/2021. At the time of this report the increase was still under consideration.

Demographic assumptions

	2022	2021
Average retirement age	62	62
Mortality during employment	SA 85-90	SA 85-90

Withdrawal from service	**Age**	**Female**	**Male**
	20	9.00 %	9.00 %
	30	6.00 %	6.00 %
	40	5.00 %	5.00 %
	50	3.00 %	3.00 %
	55	0.00 %	0.00 %

15. Employee benefit obligations (continued)
Membership for Post-employment medical aid data:

The number of members entitled to receive post-employment medical aid subsidies from the municipality were:

Category	30-06-2022 Valuation	30-06-2021 Valuation
Current (In-service) members	627	577
Continuation members (Pensioners)	19	12
	646	**589**

Accrued Contractual Liability

The figures below reflect the total value of the accrued contractual liability of the municipality in respect of the municipality in respect of post-employment medical aid benefit offered to employees:

Category	30-06-2022 Valuation	30-06-2021 Valuation
Current (In-service) members	36 840 000	45 766 211
Continuation members (Pensioners)	7 430 000	4 596 000
	44 270 000	**50 362 211**

Financial Assumptions

[i] Discount rate

A discount rate of 10.93% per annum has been used. The corresponding index-linked yield at this term is 4.25%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2022.

[ii] Health care inflation rate

The medical contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

The next contribution increase was assumed to occur with effect from 1 January 2023.

[iii] Replacement Ratio

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Demographic assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post- employment benefits.

[i] Pre-retirement Mortality

SA85-90 ultimate table, adjusted for female lives.

[ii] Post-retirement Mortality

PA (90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from [1-(1-1%) squared] and so on.

15. Employee benefit obligations (continued)

[iii] Withdrawal from service

If an eligible employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below:

Age	Females	Males
20	9.00 %	9.00 %
25	8.00 %	8.00 %
30	6.00 %	6.00 %
35	5.00 %	5.00 %
40	5.00 %	5.00 %
45	4.00 %	4.00 %
50	3.00 %	3.00 %
55	0.00 %	0.00 %
> 55	0.00 %	0.00 %

[iv] Average Retirement Age

The normal retirement age of employees Is 65. It has been assumed that employees will retire at age 62 on average. which then implicitly allows for expected rates of ill-health and early retirement.

[v] Continuation of Membership

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

[vi] Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 15% of eligible in-service non-members will be on a medical scheme at retirement (should they not exit employment before then).

[vii] Family Profile

It has been assumed that female spouses will be four years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a spouse dependent on their medical aid. For current retiree members, actual medical aid dependents were used and the potential for remarriage was ignored.

Sensitivity Analysis for Post-Employment Medical Aid

The liability at the Valuation Date was recalculated to show the effect of:

- a 1% increase and decrease in the assumed rate of health care cost inflation;
- a 1% increase and decrease in the discount rate;
- a one-year age reduction in the assumed rates of post-employment mortality;
- a one-year decrease in the assumed average retirement age;
- a 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

In order to illustrate the sensitivity of the results to changes in certain key variables, the liability has been recalculated using the assumptions as below:

15. Employee benefit obligations (continued)

Assumption	Change	In-service members	Continuation members	Total	% Change
Central assumption	0.00 %	33 245 000	4 596 000	37 841 000	0.00 %
Health care inflation	1.00 %	36 248 000	4 978 000	41 226 000	9.00 %
	(1.00)%	29 758 000	4 225 000	33 983 000	(10.00)%
Discount rate	1.00 %	28 896 000	4 194 000	33 090 000	(13.00)%
	(1.00)%	38 593 000	5 070 000	43 663 000	15.00 %
Post retirement mortality	1 year	32 290 000	4 464 000	36 754 000	(3.00)%
	-1 year	34 190 000	4 727 000	38 917 000	3.00 %
Average retirement age	-1 year	36 361 000	4 596 000	40 957 000	8.00 %
Continuation of members at retirement	10.00 %	24 809 000	4 596 000	29 405 000	(22.00)%

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 9% higher than that shown.

The sensitivity analysis on current-service and interest cost for the year ending 30 June 2022.

Assumption	Change	Current Service Costs	Interest Cost	Total	% Change
Central assumptions	0.00 %	1 678 000	3 982 000	5 660 000	0.00 %
Health care inflation rate	1.00 %	1 843 000	4 340 000	6 183 000	9.00 %
	(1.00)%	1 463 000	3 574 000	5 037 000	(11.00)%
Discount rate	1.00 %	1 405 000	3 809 000	5 214 000	(8.00)%
	(1.00)%	2 021 000	4 162 000	6 183 000	9.00 %
Post-employment mortality	1 year	1 631 000	3 867 000	5 498 000	(3.00)%
	-1 year	1 750 000	4 096 000	5 816 000	3.00 %
Average retirement age	-1 year	1 818 000	4 311 000	6 129 000	8.00 %
Continuation of members at retirement	(10.00)	1 451 000	3 512 000	4 964 000	(12.00)%

[B] Sensitivity analysis for long service awards

The liability at the valuation date was recalculated to show the effect of:

- a 1% increase and decrease in the assumed general earnings inflation rate;
- a 1% increase and decrease in the discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and 50% increase in the assumed rates of withdrawal from services.

Sensitivity analysis on the unfunded liability

Assumption	Change	Liability	% Change
Central assumptions	0.00 %	22 834 000	0.00 %
General earnings inflation	1.00 %	24 031 000	5.00 %
	(1.00)%	21 735 000	(5.00)%
Discount rate	1.00 %	21 687 000	(5.00)%
	(1.00)%	24 105 000	6.00 %
Average retirement age	2 years	26 114 000	14.00 %
	-2 years	18 689 000	(18.00)%
Withdrawals	x2	19 341 000	(15.00)%
	x0.50	25 149 000	10.00 %

Sensitivity analysis on current service and interest costs for the year ending 30 June 2022:

15. Employee benefit obligations (continued)

Assumption	Change	Current Service Costs	Interest Cost	Total	% Change
Central assumptions	0.00 %	1 630 000	1 452 000	3 082 000	0.00 %
General earnings inflation	1.00 %	1 756 000	1 535 000	3 291 000	7.00 %
	(1.00)%	1 521 000	1 376 000	2 897 000	(6.00)%
Discount rate	1.00 %	1 532 000	1 575 000	3 104 000	1.00 %
	(1.00)%	1 745 000	1 317 000	3 062 000	(1.00)%
Average retirement age	2 years	1 800 000	1 677 000	3 477 000	13.00 %
	-2 years	1 418 000	1 185 000	2 603 000	(16.00)%
Withdrawal rates	x2	1 240 000	1 214 000	2 454 000	(20.00)%
	x0.50	1 911 000	1 610 000	3 521 000	14.00 %

Key Assumptions for Long service award

Financial variables

[i] Discount Rate

A discount rate of 10.93% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 10.93% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 3.61%.These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2022.

The liability-weighted average term of the total liability is 5.65 years.

[ii] Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

[iii] General Earnings Inflation

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

[iv] Impact of COVID - 19

The actuary was not able to estimate the impact the pandemic is likely to have on the Municipalities liability at the stage of the report. There is much uncertainty as to how it will affect mortality, and whether (and) when a treatment or vaccine will become available. If the return to economic normalcy is extended, then the municipality's experience regarding resignations and retrenchments may also be affected.

At 30 June 2022 long term government bonds yields increased dramatically since the early stages of the pandemic. This pushes up the net discount rate which in turns reduces the liability. it is impossible to say how long lasting this volatility in the prescribed discount rate and its consequent impact on the liability is likely to be.

Demographic assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

[i] Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 3.68% per annum for all employees:

	2022 R	2021 R

15. Employee benefit obligations (continued)

Age band	Additional promotional scale
20 -24	5.00 %
25 - 29	4.00 %
30 - 34	3.00 %
35 - 39	2.00 %
40 - 44	1.00 %
> 44	0.00 %

[ii] Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age have been assumed to retire at their next birthday.

[iii] Pre-retirement Mortality

SA85-90 ultimate table, adjusted down for female lives.

[iv] Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Age	Females	Males
20	9.00 %	9.00 %
25	8.00 %	8.00 %
30	6.00 %	6.00 %
35	5.00 %	5.00 %
40	5.00 %	5.00 %
45	4.00 %	4.00 %
50	3.00 %	3.00 %
55	0.00 %	0.00 %
> 55	0.00 %	0.00 %

Disclosures on the actuarial valuations of Mopani employees stationed at local municipalities

The actuarial valuation for Mopani employers that are stationed at local municipalities were performed by different actuaries. The actuaries at the respective local municipality relied on the information as per the submission from the local municipality concerned. The methodologies used for valuations of PEMA and LSA are similar across the board.

The number of employees stationed at local municipalities is too insignificant in comparison to the employees at MDM to have any negative influence on the total value of liability. It is against this background that further detailed assumptions and sensitivity analysis per local municipality are not disclosed.

Other assumptions

Amounts for the current and previous four years are as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation - PEMA	(59 910 151)	(53 464 820)	(44 803 443)	(51 016 481)	(44 803 350)
Defined benefit obligation - LSA	(25 193 169)	(23 584 088)	(25 914 513)	(25 461 879)	(25 050 724)

15. Employee benefit obligations (continued)

Defined contribution plans

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

	2022	2021
The total economic entity contribution to such schemes recognised as an expense	43 875 555	40 662 417

Employee benefits obligation breakdown by municipality

The table below shows the Employee benefits obligation category and municipality of origin:

2022	Mopani	Ba-Phaloborwa	Tzaneen	Giyani	Letaba	Maruleng
PEMA	23 732 000	964 339	2 366 000	289 000	399 500	357 000
LSA	44 270 000	5 371 260	4 227 000	1 256 000	1 298 900	572 000
Total	**68 002 000**	**6 335 599**	**6 593 000**	**1 545 000**	**1 698 400**	**929 000**
Less current portion	(3 858 000)	(222 814)	(441 122)	(37 718)	(63 614)	(53 330)
Non-current portion	**64 144 000**	**6 112 785**	**6 151 878**	**1 507 282**	**1 634 786**	**875 670**

2021	Mopani	Ba-Phaloborwa	Tzaneen	Giyani	Letaba	Maruleng
PEMA	37 841 000	4 205 211	5 625 000	1 125 000	1 090 000	476 000
LSA	22 834 000	742 476	2 174 000	268 000	342 900	325 000
Total	**60 675 000**	**4 947 687**	**7 799 000**	**1 393 000**	**1 432 900**	**801 000**
Less current portion	(3 433 000)	(195 971)	(528 938)	(27 109)	(37 874)	(31 929)
Non-current portion	**57 242 000**	**4 751 716**	**7 270 062**	**1 365 891**	**1 395 026**	**769 071**

16. Multi-employer plan

The municipality makes provision for post-retirement benefits to eligible councilors and employees who belong to different pension schemes.

All councilors belong to the pension fund for municipal councilors.

Employees belong to a variety of approved Pension funds and provident funds as described below.

All these afore-mentioned funds are multi-employer plans and are subjected to either a tri-annual, bi-annual or annual actuarial valuations, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each funds are held in one portfolio and are not notionally allocated to each of participating employer;
- One set of financial statements is compiled for each fund and financial statements are not drafted for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefits plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R43 875 555 (2021 :R40 662 417) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The retirement funds have been valued by making use of the discounted cash flow method of valuation.

Defined Benefit Schemes -Valuation outcome

	2022	2021
	R	R

Municipal Employee Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

Defined Contribution Schemes

Municipal Council pension fund:

The scheme is subject to a tri-annua1 actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

Municipal Employees Gratuity Fund:

The scheme is subject to a tri-annual actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

Notes to the Annual Financial Statements

	2022 R	2021 R

National Fund for Municipal Workers:

The Scheme is subject to an annual actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

Government Employee Pension Fund:

The scheme is subject to an actuarial valuation at least once in every 3 years. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

The results of the March 2020 actuarial valuation show that the Fund is 108.3% funded, The Funding policy requires that the Board of Trustees ensure that the funding level of liabilities Is above 90%.This is in line with Rule 7.2 of the Rules of the Fund, which states that the employer contributions should be sufficient to ensure that the Fund is able to always meet its obligations, subject to a funding level of liabilities of at least 90%.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Drought Relief WISG	6 777 182	6 777 182
Municipal Infrastructure Grant (MIG)	40 210 722	4 098 169
Rural roads asset management grant	-	1 257 580
Water Services Infrastructure Grant	43 096 015	69 583 247
	90 083 919	**81 716 178**

Movement during the year

Balance at the beginning of the year	81 716 178	174 187 241
Current-year receipts (additions)	485 427 816	541 110 431
Income recognition during the year	(456 981 075)	(628 913 803)
Unapproved rollover	(20 079 000)	(4 667 691)
	90 083 919	**81 716 178**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 23 for reconciliation of grants from National/Provincial Government.

The municipality has applied from roll over for these unspent conditional grants.

Notes to the Annual Financial Statements

	2022 R	2021 R

18. Landfill site provision

Reconciliation of landfill site provision - 2022

	Opening Balance	Reductions	Change in discount factor	Total
Environmental rehabilitation	5 772 678	(878 039)	509 352	5 403 991

Reconciliation of landfill site provision - 2021

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	3 139 785	2 400 213	232 680	5 772 678

Landfill site provision

The landfill site provision relates to the costs of rehabilitating its landfill site that is located In Maruleng Municipality when it reaches the end of its useful and has been discounted to reflect its present value at 30 June 2022.

The evaluation, audit and computation of the provision for rehabilitation of the sites have been carried out by Environmental & Sustainability Solution CC.

Provision has been made for this cost based on the estimated present value of future cash flow arising from the landfill cost expected as at 30 June 2022, the discount rate used for present value calculation was based on average CPI of 6.61%, a discount rate of 10.61% and net effective discount rate of 4.00%.

The landfill site is expected to be used for the next thirty-eight (38) years and it is estimated that R23 749 951 (2021: R26 759 527) will be spent to rehabilitate the site.

This obligation is not cash backed at the end of the year. Further, the municipality does not have separate investments or assets to fund this (the obligation is wholly unfunded).

Prior period errors

Landfill site provision movement was incorrectly reported as discount factor of R927 093 and reductions of R7 644 612. The municipality had not factored into the prior year (2020 financial year) restatements into the comparative figures following revision of the provision. This was corrected in current year.

Description	Opening balance R	Change in landfill R	Change in discount factor R	Additions R	Closing balance R
As previously reported	12 510 196	(7 664 612)	927 093	-	5 772 677
Correction of errors	(9 370 411)	7 664 612	(694 413)	2 400 213	1
Restated	**3 139 785**	**-**	**232 680**	**2 400 213**	**5 772 678**

Notes to the Annual Financial Statements

	2022 R	2021 R

19. Service charges

	2022 R	2021 R
Sale of water	188 176 113	279 128 645
Sewerage and sanitation charges	34 728 417	34 946 191
	222 904 530	**314 074 836**

Prior period errors

The municipality identified and corrected a classification error relating to Maruleng Local Municipality's Sewerage and sanitation charges amounting to R445 332 which were incorrectly reported on the 2021 financial statements as sale of water. There were also errors due to incomplete billing, preparing financial statements that were not tying to general ledger, and billing reports from local municipalities. Further, the municipality's revenue accrual for unbilled water meters were understated for Ba-Phalaborwa local municipality. The errors resulted in the district municipality having differences between financial statements and underlying supporting documents. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The table below details the impact.

Details	**As previously reported R**	**Reclassifications R**	**Correction of errors R**	**Restated R**
Sale of water	274 431 735	(445 332)	5 142 243	279 128 646
Sewerage and sanitation charges	34 895 922	445 332	(395 063)	34 946 191
	309 327 657	**-**	**4 747 180**	**314 074 837**

20. Interest charged on overdue consumer accounts

	2022 R	2021 R
Interest charged on overdue consumer accounts	74 140 892	68 039 122

This relates to interest charged by the municipality for late payment of water and sanitation accounts by consumers.

Prior period errors

This was combined on note 18 to the previous year's financial statements together with discount received, other income and interest from investments in bank call accounts. Further the municipality identified errors amounting to R1 445 423 due to using incomplete billing reports from local municipalities.

21. Other income

	2022 R	2021 R
Insurance claims	582 692	457 405
Reconnection fees	240 648	206 148
Sundry income	876 837	290 698
Tender fees	643 245	169 360
	2 343 422	**1 123 611**

Prior period errors

This was combined on note 18 to the previous year's financial statements together with discount received, interest from investments in bank call accounts and interest charged on overdue consumer accounts. Furthermore, the municipality reclassified tendering fees of R166 531 (previously reported separately) and insurances claims income of R457 405 (previously reported under general expenses) into other income.

22. Investment revenue

	2022 R	2021 R
Interest revenue		
Interest received - Investment	3 621 608	6 479 246

This was combined on note 18 to the previous year's financial statements together with discount received, other income and interest charged on overdue consumer accounts.

Notes to the Annual Financial Statements

	2022 R	2021 R

23. Government grants and subsidies

Operating grants		
Equitable share	1 044 405 000	1 122 637 963
EPWP grant	10 129 000	9 433 000
Finance management grant	2 900 000	2 700 000
LGW SETA grant	983 816	141 428
	1 058 417 816	**1 134 912 391**
Capital grants		
Municipal infrastructure grant	396 586 278	557 232 574
RBIG - COVID 19 relief grant	-	36 090 004
Rural roads asset management grant	2 255 000	967 419
Water services infrastructure grant	44 126 981	22 349 106
	442 968 259	**616 639 103**
	1 501 386 075	**1 751 551 494**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	456 981 075	628 913 531
Unconditional grants received	1 044 405 000	1 122 637 963
	1 501 386 075	**1 751 551 494**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal infrastructure grant

Balance unspent at beginning of year	4 098 169	115 809 743
Current-year receipts	436 797 000	445 521 000
Conditions met - transferred to revenue	(396 586 278)	(557 232 574)
Unapproved rollover	(4 098 169)	-
	40 210 722	**4 098 169**

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant is to improve access to basic service infrastructure for poor communities.

Finance management grant

Current-year receipts	2 900 000	2 700 000
Conditions met - transferred to revenue	(2 900 000)	(2 700 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

The Finance Management Grant (FMG) is the grant to assist with the appointment of finance interns and also to augment the salary for the Chief Finance Officer and lastly to capacitate the employees to meet minimum competency requirement to work in finance.

	2022 R	2021 R

23. Government grants and subsidies (continued)

Rural roads asset management grant

Balance unspent at beginning of year	1 257 580	967 963
Current-year receipts	2 255 000	2 224 999
Conditions met - transferred to revenue	(2 255 000)	(967 691)
Unapproved rollover	(1 257 580)	(967 691)
	-	**1 257 580**

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to improve data on rural roads to guide infrastructure development.

Expanded Public Works Programme Integrated Grant

Current-year receipts	10 129 000	9 433 000
Conditions met - transferred to revenue	(10 129 000)	(9 433 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to improve opportunities for sustainable employment based on experiential learning attained through the programme.

LGW SETA grant

Current-year receipts	983 816	141 428
Conditions met - transferred to revenue	(983 816)	(141 428)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant is to support staff skills development at the District Municipality.

RBIG - COVID 19 relief grant

Current-year receipts	-	36 090 004
Conditions met - transferred to revenue	-	(36 090 004)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

The municipality received a RBIG grant relating to Covid 19. The purpose of the grant was to assist the municipality in implementing maintenance on bulk infrastructure.

Water service infrastructure grant

Balance unspent at beginning of year	69 583 247	50 632 353
Current-year receipts	32 363 000	45 000 000
Conditions met - transferred to revenue	(44 126 981)	(22 349 106)
Unapproved rollover	(14 723 251)	(3 700 000)
	43 096 015	**69 583 247**

Conditions still to be met - remain liabilities (see note 17).

	2022 R	2021 R

23. Government grants and subsidies (continued)

The purpose of this grant is to support refurbishment of water services infrastructure projects. Due to COVID 19 interruptions on operations, grant rollover were finalised in November 2020 which lead to certain portions of the grants being unapproved.

Drought Relief WISG

Balance unspent at beginning of year	6 777 182	6 777 182

Conditions still to be met - remain liabilities (see note 17).

The Department of Water and Sanitation allocated the municipality Drought relief grant in the financial period 2018/2019. The municipality could not fully spend the allocation. The grant allocation was not extended to period under review.

24. Public contributions and donations

Assets received as donation	519 500	3 798 435

Prior period errors

The municipality incorrectly omitted recording donated assets valued at R3 978 from the financial statements of the previous financial year. This understated property plant and equipment, related depreciation, and donations income. This error was corrected in current year and the amounts for the previous year have been restated in line with GRAP 3 requirements.

Notes to the Annual Financial Statements

25. Employee related costs

	2022 R	2021 R
Basic	261 026 784	257 061 275
Bonus	18 241 668	17 974 423
Medical aid - company contributions	16 715 119	13 916 277
UIF	1 718 442	1 501 307
Workman compensation	761 418	709 825
SDL	3 267 994	3 278 747
Other allowances and levies	8 664 928	7 574 113
Post-employment medical aid - service cost	2 162 527	2 040 452
Defined contribution plans	43 875 555	40 662 417
Overtime payments	48 887 723	63 488 014
Long-service awards - service cost	1 814 061	1 697 693
Car allowance	33 593 910	31 098 582
Housing benefits and allowances	5 190 745	5 034 986
Leave expenditure	19 682 493	14 521 323
Bargaining council	46 746	19 882
Non-pensionable allowance	321 115	86 904
	465 971 228	**460 666 220**

Detailed senior management remuneration disclosures for Section 57 managers have been disclosed in note 43.

Prior period errors

During the process of finalisation of the financial statements, the municipality reclassified some employee related costs accounts to achieve an improved presentation. There was also some reclassification of accounts to and from remuneration of councillors as well as correction of some errors for local municipalities to bring them in line with respective payrolls. The effects are tabulated below:

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
Bargaining council	19 880	-	-	19 880
Basic	261 654 363	(10 472 820)	5 879 731	257 061 274
Bonus	17 974 422	-	-	17 974 422
Car allowance	31 098 580	-	-	31 098 580
Defined contribution plans	40 516 392	151 135	(5 112)	40 662 415
Housing benefits and allowances	5 034 988	-	-	5 034 988
Leave pay provision charge	3 000 481	(3 000 481)	-	-
Leave expenditure	11 460 920	2 694 219	366 187	14 521 326
Long-service awards - service cost	(65 555)	-	1 763 248	1 697 693
Medical aid - company contributions	14 193 277	-	(277 001)	13 916 276
Non-pensionable allowance	-	124 356	(37 452)	86 904
Other allowances and levies	7 168 529	327 985	77 597	7 574 111
Overtime payments	63 432 067	55 945	-	63 488 012
Post-employment medical aid - service cost	(914 590)	-	2 955 042	2 040 452
SDL	3 278 746	-	-	3 278 746
UIF	1 504 719	(3 408)	-	1 501 311
Pensionable allowance	135 366	(135 366)	-	-
Shift allowance	214 386	(214 386)	-	-
Workman compensation	709 824	-	-	709 824
	460 416 795	**(10 472 821)**	**10 722 240**	**460 666 214**

Notes to the Annual Financial Statements

	2022 R	2021 R

26. Remuneration of councillors

	2022 R	2021 R
Executive Mayor	888 162	934 650
Speaker	722 997	755 878
Chief Whip	253 226	711 187
Councillors	10 310 705	10 675 655
	12 175 090	**13 077 370**

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Detailed councillors' remuneration disclosures have been disclosed in note 43.

Prior period errors

During the process of finalisation of the financial statements, the municipality reclassified of remuneration to councilors to and from employee related costs. The effects are tabulated below:

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
Chief Whip	-	380 961	330 226	711 187
Councillors	12 954 970	-	(2 279 315)	10 675 655
Executive Mayor	81 600	4 940 937	(4 087 887)	934 650
Speaker	40 800	5 150 923	(4 435 845)	755 878
	13 077 370	**10 472 821**	**(10 472 821)**	**13 077 370**

27. Depreciation and amortisation

	2022 R	2021 R
Property, plant and equipment	240 163 898	226 262 348
Intangible assets	502 833	651 370
	240 666 731	**226 913 718**

Prior period errors

As stated in note 7, the municipality identified and corrected errors relation to property plant and equipment as well as intangible assets which necessitated revision to related depreciation and amortisation amounts which were previously reported. The table below shows the effect on the corrections:

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
Intangible assets	-	-	651 370	651 370
Property, plant and equipment	205 892 405	-	20 369 943	226 262 348
	205 892 405	**-**	**21 021 313**	**226 913 718**

Notes to the Annual Financial Statements

	2022 R	2021 R

28. Finance costs

	2022 R	2021 R
Interest on late payment of trade and other payables	43 516 843	53 077 238
Finance leases	459 087	1 107 211
Discounting of landfill site provisions	509 352	232 680
Post-employment benefits	7 583 151	6 723 518
	52 068 433	**61 140 647**

In the previous financial year, the municipality did not split finance costs into their respective categories showing finance leases, discounting of landfill site provisions, employee benefits and the one as a result of late payment of suppliers. Furthermore, interest was disclosed as from “service concession arrangements” in error.

Prior period errors

In the previous financial year, the municipality did not split finance costs into their respective categories showing finance leases, discounting of landfill site provisions, employee benefits and the one as a result of late payment of suppliers. Furthermore, interest was disclosed as from “service concession arrangements” in error. Interest incurred on outstanding obligations to Lepelle Northern Water, Department of Water Affairs and Eskom was understated while finance lease interest was overstated by R 1 930 908. These errors were corrected retrospectively as required by GRAP3 and the financial statement area was restated as detailed below:

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
Discounting of landfill site provisions	-	-	232 680	232 680
Finance leases	-	-	1 107 211	1 107 211
Interest on late payment of trade and other payables	-	37 430 757	15 646 481	53 077 238
Service concession arrangements	38 839 275	(38 839 275)	-	-
Post-employment benefits	-	1 408 518	5 315 000	6 723 518
	38 839 275	**-**	**22 301 372**	**61 140 647**

29. Lease rentals on operating lease

	2022 R	2021 R
Plant and equipment		
Contractual amounts	699 185	699 185

The Municipality is leasing a pipeline from Blyde River Water Utility company for a period of 20 years effective from 01 April 2008 to 31 March 2008. Under the arrangement, the municipality is entitled to abstract 152 803 cubic meters of water per month from the Blyderivierspoort dam without any further payments. The lease payments were agreed at R16 210 144 including VAT and this was paid upfront at the commencement of lease. The municipality is liable for contingent rent should it abstract more than the 152 803 in a month. This is to be charged at R0.83 per cubic meter.

30. Debt impairment

	2022 R	2021 R
Debt impairment - Consumer debtors	52 159 377	216 395 370
Debt impairment - Ba-Phalaborwa loan account	(21 965 753)	116 271 499
Debt impairment - Staff debtors	1 754 274	982 653
	31 947 898	**333 649 522**

Prior period errors

Debt impairment was reported as a consolidated amount in prior year. In the current year the municipality classified it to respective categories. It also calculated and recorded impairment for Ba-Phalaborwa loan account which was omitted from the books last year. Recalculations of the impairment for consumer debtors also resulted in adjustments to the previously reported amount.

Notes to the Annual Financial Statements

	2022 R	2021 R

31. Bulk purchases

Water	189 101 685	287 665 825

Prior period errors

The municipality identified and corrected prior period errors to bulk purchases as result of incomplete invoice recording, recording invoices in incorrect period as well as VAT accounting errors.

Water losses

	Megalitres 2022	Megalitres 2021
Units purchased	3 994 080	3 451 499
Unbilled authorised consumption	-	-
Units sold	(3 977 738)	(3 446 810)
Total	**16 342**	**4 689**

Percentage Loss:		
Technical losses	0.409 %	0.136 %

Water distribution loss rand value	R782 800	R224 641

Water losses occur due to inter alia, leakages, the tampering of reading meters, faulty reading meters, and illegal connections. The problem with tampering meters and illegal connections is an on-going process which the municipality is attempting to resolve. Faulty meters and leakages are replaced/ repaired as soon as they are reported.

The average Rand Value per unit was calculated using the average purchase price per kilolitre/cubic meter. For the year under review, our average purchase price was R0,051/KL. The technical losses were determined by the Water Technical Services team.

Prior period adjustment

The disclosure on water loses was incorrectly omitted from the annual financial statements of the 2020/2021 financial year. The inclusion of these in current year also effected the comparative figures for the previous year. This effectively corrected the prior year error retrospectively in line with the requirements of GRAP 3.

32. Contracted services

Presented previously		
Information Technology Services	-	21 644
Fleet Services	2 420 295	3 451 490
Security Services	64 155 327	48 220 263
Agency fees	23 914 241	29 598 851
Outsourced Services		
Meter Management	2 540 627	1 272 941
Consultants and Professional Services		
Business and Advisory	-	124 104
	93 030 490	**82 689 293**

Notes to the Annual Financial Statements

	2022 R	2021 R

32. Contracted services (continued)

Prior period errors

The municipality identified and corrected prior period errors to incorrect computation of Agency fees for Local municipalities as well as some classification errors. The table below shows the effect:

Details	As previously reported R	Reclassifications R	Correction of errors R	Restated R
Agency fees	8 078 860	1 527 546	19 992 445	29 598 851
Business and Advisory	124 104	-	-	124 104
Fleet Services	3 451 490	-	-	3 451 490
Information Technology Services	21 644	-	-	21 644
Meter Management	-	1 272 941	-	1 272 941
Security Services	48 220 263	-	-	48 220 263
	59 896 361	**2 800 487**	**19 992 445**	**82 689 293**

33. Transfer and subsidies

	2022 R	2021 R
Employee Bursaries	1 937 143	-

	2022 R	2021 R

34. General expenses

	2022 R	2021 R
Advertising	819 560	799 818
Audit committee remuneration	3 235 596	4 558 674
Auditors remuneration	10 231 071	7 973 674
Bank charges	34 392	63 320
Catering services	651 801	846 237
Chemicals	455 430	440 097
Conferences and seminars	269 680	279 781
Consumable stores - Water	74 582 369	1 943 656
Electricity	55 411 374	76 617 727
Fuel and oil	15 010 901	12 402 287
IT expenses	1 001 803	24 628
Insurance	3 153 918	1 448 687
Motor vehicle expenses	413 800	422 806
Other expenses	4 764 665	7 439 902
Postage and courier	939	2 972
Printing and stationery	614 058	500
Protective clothing	6 641 408	3 761 320
Water tanker services	24 977 395	-
Road management system	2 255 000	841 234
Software expenses	2 986 344	161 294
Subscriptions and membership fees	5 081 611	5 579 883
Telephone and fax	4 942 578	2 656 851
Training	2 157 834	724 081
Travel - local	20 436 957	17 139 618
Utilities - Other	-	227 172
	240 130 484	**146 356 219**

Prior period errors

During the current financial year, errors were identified where the municipality had duplicated certain suppliers' invoices, omitted recording of supplier invoices, misallocated expense items amongst expense general ledgers and or posted invoices in incorrect accounting periods. Also, some expenditure accounts were incorrectly classified in the previous year. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The related expenditure were updated accordingly as detailed in the table below:

Details	**As previously reported** **R**	**Reclassifications** **R**	**Correction of errors** **R**	**Restated** **R**
Advertising	479 893	319 925	-	799 818
Audit committee remuneration	4 558 674	-	-	4 558 674
Auditors remuneration	9 121 160	-	(1 147 486)	7 973 674
Bank charges	63 320	-	-	63 320
Catering services	928 739	(80 919)	(1 584)	846 236
Chemicals	(3 525 605)	3 965 702	-	440 097
Conferences and seminars	151 334	128 447	-	279 781
Consulting and professional fees	52 217 636	(52 217 636)	-	-
Consumable stores - Water	3 168 158	(2 451 599)	1 227 095	1 943 654
Electricity	-	74 480 543	2 137 184	76 617 727
Fuel and oil	13 733 265	-	(1 330 978)	12 402 287
Insurance	1 448 687	-	-	1 448 687
IT expenses	23 628	-	1 000	24 628
Motor vehicle expenses	362 568	60 238	-	422 806
Other expenses	31 983 578	(24 543 675)	-	7 439 903
Postage and courier	2 972	-	-	2 972
Printing and stationery	-	500	-	500
Protective clothing	3 769 425	-	(8 105)	3 761 320

			2022 R	2021 R

34. General expenses (continued)

Road management system	841 234	-	-	841 234
Software expenses	4 551 166	(4 389 872)	-	161 294
Subscriptions and membership fees	276 993	5 302 890	-	5 579 883
Telephone and fax	2 656 851	-	-	2 656 851
Training	727 441	-	(3 360)	724 081
Travel - local	17 151 094	111 034	(122 509)	17 139 619
Community services	264 111	(264 111)	-	-
Levies	4 944 390	(4 944 390)	-	-
Utilities - Other	227 172	-	-	227 172
VIP toilets	105 578 802	(105 578 802)	-	-
	255 706 686	**(110 101 725)**	**751 257**	**146 356 218**

35. Consultation and professional fees

Accounting and advisory	16 083 402	29 988 682
Legal advice and litigation	43 458 464	32 477 242
Project management	17 801 832	12 053 063
	77 343 698	**74 518 987**

Consulting and professional fees expenditure was previously reported under general expenditure and has now been classified to be a stand alone financial statement area on the face of the Statement of Financial Performance. Errors amounting to R24 001 were identified and corrected retrospectively on this section in line with the requirements of GRAP 3.

36. Repairs and maintenance

Maintenance of buildings and facilities	186 868	-
Maintenance of infrastructure	146 691 103	191 117 134
Motor Vehicle and other general municipal services	10 611 141	46 032 671
Materials and supplies consumed	11 828 367	3 438 603
	169 317 479	**240 588 408**

Prior period errors

The municipality identified and corrected duplicated certain suppliers' invoices, omitted recording of supplier invoices, misallocated capital expenditure items incorrected posted as repairs and maintenance, misallocation of repairs expenditure to other expenditure codes as well as reclassification of repairs and maintenance accounts to and from other expenditure items. These errors resulted in the misstatement of the amounts reported in the previous year. They have been corrected retrospectively.

Details	**As previously reported R**	**Reclassifications R**	**Correction of errors R**	**Restated R**
Repairs and maintenance	305 510 232	(72 363 146)	7 441 323	240 588 409

37. VIP Toilets

VIP Toilets	32 462 813	108 977 590

This expenditure relates to projects being carried out by the municipality in providing sanitation facilities in the homes of the community. These costs cannot be capitalised since the municipality does not have control of the assets following their installation.

Expenditure incurred on VIP toilets was previously reported under general expenditure and has now been classified to be a stand alone financial statement area on the face of the Statement of Financial Performance due to its materiality and significance.

Notes to the Annual Financial Statements

	2022 R	2021 R

38. Impairment and write off - assets

Property, plant and equipment	44 352 440	14 331 498

The assessment of property, plant and equipment conditions was performed in current year and impairment loss was identified on some items of property, plant and equipment.. The review led to the recognition of an impairment loss of R44 352 440 (2021: R14 331 498).

The amount reported in the previous year was adjusted by an amount of R15 449 504 which arose as a result of understating impairments on certain infrastructure assets and work in progress projects of the 2021 financial year.

39. Cash generated from operations

Surplus	193 896 941	93 022 031
Adjustments for:		
Depreciation and amortisation	240 666 731	226 913 718
Loss on sale of assets and liabilities	(40 238 335)	-
Finance costs - Finance leases	459 087	1 107 211
Discounting of landfill site provisions	509 352	232 680
Impairment and write off - assets	44 352 440	14 331 498
Debt impairment	31 947 898	333 649 522
Movements in operating lease assets and accruals	699 184	699 185
Movements in retirement benefit assets and liabilities	8 054 412	6 330 952
Movements in provisions	(878 039)	2 400 213
Public contributions and donations	(519 500)	(3 798 434)
Rounding	15	-
Changes in working capital:		
Inventories	(14 717 224)	(8 740 092)
Receivables from exchange transactions	(168 100 277)	(282 583 917)
Payables from exchange transactions	150 608 753	331 620 611
VAT	3 970 405	(57 785 954)
Unspent conditional grants and receipts	8 367 739	(92 471 062)
Consumer deposits	251 637	(951 858)
	459 331 219	**563 976 304**

40. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	254 415 353	254 415 353
Cash and cash equivalents	30 500 247	30 500 247
	284 915 600	**284 915 600**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 724 303 234	1 724 303 234
Finance lease obligation	3 397 673	3 397 673
	1 727 700 907	**1 727 700 907**

40. Financial instruments disclosure (continued)

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	121 600 213	121 600 213
Cash and cash equivalents	29 437 305	29 437 305
	151 037 518	**151 037 518**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 580 845 267	1 580 845 267
Finance lease obligation	23 405 642	23 405 642
	1 604 250 909	**1 604 250 909**

Financial instruments in Statement of financial performance

2022

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	77 762 500	77 762 500
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(43 975 930)	(43 975 930)
Debt impairment	(31 947 898)	(31 947 898)
	1 838 672	**1 838 672**

2021

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	74 518 368	74 518 368
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(54 184 449)	(54 184 449)
Debt impairment	(333 649 522)	(333 649 522)
	(313 315 603)	**(313 315 603)**

Notes to the Annual Financial Statements

	2022 R	2021 R

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	658 550 543	520 780 150
Total capital commitments		
Already contracted for but not provided for	658 550 543	520 780 150

Authorised operational expenditure

Already contracted for but not provided for		
• Services	198 954 255	-
Total operational commitments		
Already contracted for but not provided for	198 954 255	-

Total commitments

Total commitments		
Authorised capital expenditure	658 550 543	520 780 150
Authorised operational expenditure	198 954 255	-
	857 504 798	**520 780 150**

Capital commitment represent future, capital expenditure. The municipality has an obligation to spend these amounts due to signed contracts with suppliers and approval as per Medium-Term Revenue and Expenditure Framework (MTREF). This committed expenditure relates to capital expenditure projects that are in line with municipalities service delivery. The municipality has unspent grants on WSIG and MIG amounting to R90 083 919 which are not cash backed. However, a rollover application has been done, which on approval will be utilised in meeting the commitments. The balance of the commitments will be further financed by the equitable share that will be received from National Treasury.

Prior period errors

Certain errors were identified and corrected retrospectively for commitments disclosure of the 2020/2021 financial year. The table below shows the impact:

Details	Amount
Amount Previously disclosed	365 256 879
Correction of error [1]	155 523 271
Balance restated	**520 780 150**

[1] The errors were due to understatements caused by including contracts with negative balances as commitments.

	2022 R	2021 R

42. Contingencies

Litigation is in the process against the municipality relating to a number of disputes. The municipality's lawyers and management treat each case in its merits and does not see likelihood of these cases being successful. The contingent raised is based on litigation the municipality has instituted against third parties and management has assessed there is high possibility of the litigation working out in their favour.

	2022 R	2021 R
Pending Legal Cases		
Matter between Anna Magaretha Botha and MOM for the injury she sustained at a MOM sewage manhole in Modjadjiskloof. The matter is before the high court	950 000	950 000
Matter between Esorfranki and MDM for incorrect tender awarding. The matter is before the Constitutional Court.	10 284 387	10 284 387
Matter between Palm Kwekery and MDM for failure to prevent wildfire. The summons have been issued.	4 684 140	4 685 140
Matter between Johannes Jacobus Swart/LebP construction/MDM and others. The plaintiff is suing MDM for failure to settle a cession	1 680 499	1 680 499
Matter between Shosholoza A team contractors and MDM. The Plaintiff has issued simple summonses for the services rendered as a Sub Contractor at Nandoni pipeline project. [1]	-	939 641
Matter between Oryx Pipes and MDM for payment of outstanding invoice on the Nandoni pipeline project	2 183 903	2 183 903
Matter between Maile Nkoane and MDM seeking compensation relating to her car damages. The summons have been issued.	37 384	37 384
Borehole operators claims for services rendered for the municipality. Full list of operator claims on the register. [2]	8 844 923	14 566 467
Matter between EMC Consulting and MDM application for settlement of account on work done for the sefofotse and ditshosine/ ramahlatsi bulk water and reticulation.	29 730 284	29 730 284
Matter between Kgafela Construction and MDM for termination of contract for the building of Offices in Tzaneen. A counter claim was instituted against Kgafela Construction by the Municipality.	-	43 611 996
Matter between MN Nengovhela and MDM. Civil non-payment of a claim for work done by themunicipality.	4 500 136	4 500 136
Matter between KA Moshabela and MDM - Delict / vicarious liability. A letter of demand in the amount of R2m for loss of income, past and future medical expenses and damages.	2 000 000	2 000 000
Civil Mater- Matter between Bicacon and MDM on the extension of time claim.	2 454 395	2 454 395
Civil matter- Matter between Makgetsi Construction and MDM on the Namakgale Sewage works.	4 107 720	4 107 720
Matter between Dr Mazana and MDM for accident due to road maintenance.	27 384	27 384
Civil - Cession claim based on a cession, Matter between BD Finance and MDM.	375 000	370 000
Matter between Civcon Civils Jv Tainama and MDM for damages and retention.	-	22 147 291
Matter between TR Building and MDM for Nkowankowa Sewer Project.	-	3 262 474
Matter between SGL Engineering and MDM for Nkowankowa Sewer Project	2 412 437	2 412 437
Matter Between Arena Venus and MDM for VIP Toilets unpaid claim	348 000	348 000
Matter between Tsurikom SSS and MDM for termination of contract on the Kampersrus Sewage Plant	5 774 485	5 774 485
Civil claim based on cession between Tainama Jv Civicon on the Tours bulk water supply	963 647	963 647
A claim by MN Nengovhela for alleged work done at Senakwe project	461 664	461 664
A claim by Siphiwe Engineering and MDM for failing to make payment in respect of service rendered and disbursement incurred up to the completion of stage 3 for design development on the Thapane project.	17 554 634	17 554 634
A claim by Makasela Consulting & Projects and MDM for failing to make payment for completion of designs.	5 219 666	5 219 666
A civil matter between Hlimbyi and MDM. Hlimbyi is claiming unpaid invoices relating to escalation costs security contract it had with the municipality.	2 978 401	2 978 401
Sebata has instituted Arbitration proceedings claiming an amount of for alleged work done prior to the termination of contract.	4 608 397	4 608 397
Matter between Sebone Traffic Academy and MDM - Nonpayment of claim	275 437	275 437
Matter between Kgatla Family and MDM/Civil Element. The family is suing for damages to property on Thapane water scheme phase 28.	995 000	515 000
Matter between Lilithalethu Trading and MDM. Lilithalethu Trading served with MDM a provisional sentence summons for retention on a completed project.	1 817 564	1 817 564
Matter between Nkuriso and MDM. Mkuriso is claiming damage for services that were rendered and the municipality refuses to settle the account.	25 180 676	25 180 676
Matter between Patoka Trading and MDM. Patoka is suing for damages relating to use of property without permission	1 663 000	1 663 000
Matter between CV Chabane and MDM	5 120 169	5 120 169
Matter between VME Projects and MDM. VME projects is claiming for unpaid retention on Sefofofotse Oitsosene BWS (Ramoroka reticulation).	-	947 787

Notes to the Annual Financial Statements

	2022 R	2021 R
42. Contingencies (continued)		
Matter between MDM and Endecon Ubuntu. Endecon launched legal action and claimed R1 530 513 for variation and work done.	1 530 513	-
Matter involving MD and Chem Tech. This is claim for alleged services rendered in the amount of R822 192.	822 192	-
Matter involving MD and Joachim Johannes Nienaber relating to a motor vehicle accident claim	190 193	-
Matter involving MDM and BMK Electro mechanics relating to a civil contract claim for work done amounting to R2 500 680	2 500 690	-
Matter involving MDM and Manengo Ngobeni for a civil – claim for damages as a result of a car accident in the amount of R63 884	63 884	-
Matter involving MDM and Mpumamanzi Group relating to a civil – claim for alleged work done in the amount of R5 047 104	5 047 104	-
Matter involving MDM and Ramalepe & Others in respect of a labour review of arbitration award.	418 800	-
	157 806 708	**223 380 065**

[1] Matter was settled after year end, and has now been remoced and moved to accounts payable.

[2] The other portion of the matter amounting to R2 999 225 was settled after year end and has been moved to accounts payable. The reminder are still pursuing the case.

Contingent assets

	2022 R	2021 R
MDM is suing Came a Lot for fraudulently claiming funds not due to them. The company was appointed to build 150 units of VIP Toilets.	1 080 000	1 080 000
MDM filed a review of appointment against Endecon Unbuntu on the Extension of Modjadji Water Works and the project value on appointment was R2 185 000.	-	2 185 000
Civil overpayment - MDM has sent a letter of demand for overpayment. MDM has sent a letter of demand for payment.	-	629 519
The municipality is suing the contractor and the contractor is counter suing MDM for cancellation of same contract. by Kgafela is R43 611 996.	14 140 977	14 140 977
The municipality is claiming penalties and damages from Tainama Civcon JV	-	91 619 051
Matter between MDM and former employee. The municipality is claiming refund for fraud committed by the employee.	661 982	661 982
Matter between MOM and Tsurikomi SSV JV. The municipality is claiming refunds for overpayment on Kampersrus sewer phase 2.	1 373 881	1 373 881
Matter Between MOM and Modiro Consulting. MDM Is claiming recovery of funds as a result of negligence by the consulting engineer.	3 503 266	3 503 266
Matter between MDM and Twin Corner Construction. The municipality is claiming refunds for payment made for services not performed.	11 004 513	-
	31 764 619	**115 193 676**

Prior period errors

The Municipality discovered errors of overstatement of contingent liabilities which have now been corrected retrospectively in current year. The table below details the corrections:

Details	**Amount**
Amount previously reported	400 025 981
Matter between DWS and MDM relating to un-serviced account for bulk water abstraction. This was incorrectly included as a contingent liability when a settlement agreement had been concluded and the amount was already included in payables.	(176 645 916)
	223 380 065

	2022 R	2021 R

43. Related parties

Relationships

Accounting Officer	Refer to accounting officers' report note 5
Councillors	Refer to General Information pages 3 to 6.
Members of key management	Mr Kgatla Q (Municipal manager) Mr Magano TJ (Chief financial officer and Municipal manager) Mr Lebepe G (Corporate services) Mr Ntimbani C (Community services) Mrs Maboya F (Planning and development) Mr Mahayi M (Engineering services) Mr Shilowa P (Water services) Ms L. Nkoane (Acting Chief financial officer from 01 March 2022)

Related party balances

Amounts included in Trade receivables regarding related parties

2022	Members of key management	Councillors	Total
Staff receivables	189 216	3 399 068	3 588 284
Subtotal	189 216	3 399 068	3 588 284
Less impairment recognised	(189 216)	(2 538 986)	(2 728 202)
	-	**860 082**	**860 082**

2021	Members of key management	Councillors	Total
Staff receivables	249 674	3 501 443	3 751 117
Subtotal	249 674	3 501 443	3 751 117
Less impairment recognised	(189 216)	(793 437)	(982 653)
	60 458	**2 708 006**	**2 768 464**

The impairment was recognised based on the related party (senior management and council) having left the municipality without signing repayment agreements, no payments received in the past year and in some cases the related party having been deceased. The municipalities assessed these factors as objective evidence of impairment.

The municipality has not guarantee in relation to the debt raised.

Compensation to accounting officer and other key management		
Short-term employee benefits	4 595 068	5 995 027
Defined contribution plans	1 600 111	1 014 527
	6 195 179	**7 009 554**

Key management information

Class	Description	Number
Section 57 Directors	Head off departments within the municipality	7
Councillors	Political appointments	53

43. Related parties (continued)

Remuneration of management

Management class: Section 57 Directors

2022

Name	Basic salary	Car allowances	Other short-term employee benefits	Acting allowance	Total
Q. Kgatla (Municipal Manager) [1]	610 508	200 192	243 863	-	1 054 563
TJ. Mogano (Chief Financial Officer) [2]	818 357	481 455	322 333	4 170	1 626 315
SN. Ngobeni (Corporate Services) [3]	160 000	36 272	3 624	-	199 896
F. Maboya (Planning and development) [4]	950 004	50 000	329 518	-	1 329 522
JP. Shilowa (Water services)	869 947	243 182	299 233	-	1 412 362
ML. Mahayi (Engineering Services)	754 736	503 158	22 952	-	1 280 846
RH. Tshikovhi (Legal Services) [5]	550 014	160 000	306 286	-	1 016 300
C. Ntimbani (Community Services)	664 965	443 310	21 645	-	1 129 920
LI. Nkoane (Acting Chief Financial officer) [6]	630 067	263 895	289 914	150 402	1 334 278
MJ. Rasekga (Acting Corporate Services) [3]	381 702	210 000	170 607	215 721	978 030
P. Lebadika (Acting Corporate Services) [3]	163 245	65 974	53 879	113 654	396 752
	6 553 545	**2 657 438**	**2 063 854**	**483 947**	**11 758 784**

[1] Mr. Q. Kgatla resigned as the municipal manager on the 8th of February 2022 and council appointed Mr. TJ. Mogano in an acting capacity on 10th of February 2022 and was later confirmed as a substantive incumbent on the 1st of June 2022.

[2] Mr. TJ. Mogano occupied the position until the 10th of February 2022 when he was appointed the Acting Municipal Manager and Ms. LI. Nkoane acted as the CFO from the 1st of March 2022.

[3] Ms Ngobeni took up the post in May 2022. She replaced Lebepe who passed away in June 2021. Before her, Mr. MJ. Rasekgale and Mr. P. Lebadika all acted in that position. The former Acted from July 2021 to January 2022 while the latter acted in that position from February 2022 to April 2022.

[4] Ms F. Maboya's contract ended in April 2022 and the post has been filled by Munyepawo in July 2022.

[5] Mr RH. Tshikovhi's contract ended in February 2022 and the post was filled in July 2022 by Lethole.

[6] Ms. LI. Nkoane was appointed as the Acting CFO from the 1st of March 2022.

2021

Name	Basic salary	Car allowances	Other short-term employee benefits	Acting allowance	Total
Q. Kgatla (Municipal Manager) [1]	1 001 082	328 265	26 129	-	1 355 476
TJ. Mogano (Chief Financial Officer) [2]	541 636	333 736	(68 233)	-	807 139
G. Lebepe (Corporate Services)	978 051	346 364	309 997	-	1 634 412
F. Maboya (Planning and development)	1 140 004	60 000	118 917	-	1 318 921
JP. Shilowa (Water services)	976 218	300 000	75 835	-	1 352 053
ML. Mahayi (Engineering Services) [4]	314 474	209 649	9 523	-	533 646
RH. Tshikovhi (Legal Services)	825 022	240 000	163 720	-	1 228 742
DD. Shithlangu (Community services) [3]	86 707	20 000	259 499	-	366 206
C. Ntimbani (Community Services) [5]	277 069	184 713	9 075	-	470 857
	6 140 263	**2 022 727**	**904 462**	**-**	**9 067 452**

43. Related parties (continued)

[1] Mr Kgatla Q was seconded to the position of acting Municipal Manager alter the departure of then M CFO was occupied on acting capacity by Mr Mangena S.

[2] Council appointed Mr TJ Mogano as Chief financial officer from the 1st of November 2020, the salary disclosed is for 8 months period, The position was previous occupied by Mr Sekati Mangena on acting capacity until the 31st of October 2020.

[3] Mr Shitlhangu's term of contract as the Senior Manager Community services ended in July 2020, the position was occupied by a new director Mrs C Ntimbani.

[4] The municipality appointed a new Senior Manager for Engineering Services on the 1st of February 2021 after the positing was separated from water services. The function was previous performed under water and engineering services. The remuneration disclosed is for period of 05 months.

[5] Ms C. Ntimbani was appointed from the 1st of February 2021. Therefore, the remuneration disclosed is for 5 months.

Prior period error correction
The above disclosures have been corrected and updated to include all Section 57 managers and also correct disclosure amounts which were different from those actually paid.

Management class: Councillors

2022

Name	Basic salary	Cellphone Allowance	Travel Allowance	Other	Sitting Allowance	Total
Cllr. PJ. Shayi	849 835	38 327	-	13 929	-	902 091
Cllr. NM. Maswanganyi	604 279	38 327	59 675	13 929	-	716 210
Cllr. MC. Mohale	179 024	14 527	59 675	-	-	253 226
Cllr. MH. Sefufi	577 701	38 327	59 675	13 929	-	689 632
Cllr. ML. Maloko	319 352	38 327	32 314	13 929	-	403 922
Cllr. WD. Sedibeng	254 611	14 527	-	-	-	269 138
Cllr. Ml. Mokgobi	96 942	14 527	32 314	-	-	143 783
Cllr. NN. Baloyi	434 838	38 327	36 161	13 929	-	523 255
Cllr. NH. Zandamela	22 277	-	-	-	-	22 277
Cllr. GH. Modjadji	106 273	14 527	35 424	-	-	156 224
Cllr. KJ. Malepe	96 942	14 527	32 314	-	-	143 783
Cllr. PT. Malatji	96 942	14 527	32 314	-	-	143 783
Cllr. SJ. Nkuna	96 942	14 527	32 314	-	-	143 783
Cllr. MA. Helm	75 539	14 527	25 180	-	-	115 246
Cllr. CM. Ramathoka	75 539	14 527	25 180	-	8 826	124 072
Cllr. MR. Chauke	75 539	14 527	25 180	-	-	115 246
Cllr. JG. Mashele	75 539	14 527	25 180	-	-	115 246
Cllr. GA. Maluleke	140 603	14 527	46 868	-	-	201 998
Cllr. FM. Moroatshehla	7 968	-	-	-	-	7 968
Cllr. MD. Maake	57 135	4 636	19 045	-	-	80 816
Cllr. MM. Makwela	4 243	-	-	-	-	4 243
Cllr. Kl. Rapatsa	28 537	-	-	-	-	28 537
Cllr. D. Malemela	3 182	-	-	-	-	3 182
Cllr. CT. Shisinga	7 426	-	-	-	-	7 426
Cllr. MM. Makwala	4 243	-	-	-	-	4 243
Cllr. GM. Malatji	32 444	14 527	-	-	-	46 971
Cllr. MF. Madike	3 717	-	-	-	-	3 717
Cllr. MA. Mathaba	36 161	-	-	-	-	36 161
Cllr. MD. Popela	3 717	-	-	-	-	3 717
Cllr. R. Makasela	32 254	14 527	-	-	-	46 781
Cllr. MMA. Mathebula	74 367	7 727	-	3 182	-	85 276

Notes to the Annual Financial Statements

					2022 R	2021 R

43. Related parties (continued)

Cllr. XJ. Valoyi	3 717	-	-	-	-	3 717
Cllr. TC. Zitha	32 254	14 527	-	-	-	46 781
Cllr. T. Makhubela	32 254	-	-	-	-	32 254
Cllr. MR. Maake	3 717	-	-	-	-	3 717
Cllr. MV. Mangoro	3 717	-	-	-	-	3 717
Cllr. M. Mathedimosa	3 717	-	-	-	-	3 717
Cllr. TJ. Senyolo	9 926	-	-	-	-	9 926
Kgosigadi MJ. Sekgopo	10 853	3 619	-	-	-	14 472
Kgoslgadi MJ. Mametja	10 853	3 619	-	-	-	14 472
Hosi TLP. Nwamitwa	10 853	3 619	-	-	-	14 472
Kgosigadi MA. Shayi	10 853	3 619	-	-	-	14 472
Hosi MC. Mathevula	10 853	3 619	-	-	-	14 472
Kgosi MB. Pheeha	10 853	3 619	-	-	-	14 472
Cllr. I. Hlungwana	243 764	38 327	25 180	13 929	-	321 200
Cllr. MPT. Maluleke	75 539	14 527	25 180	-	-	115 246
Cllr. Hosi SM. Maluleke	10 853	3 619	-	-	-	14 472
Cllr. RN. Sekgobela	9 807	-	-	-	-	9 807
Cllr. ML. Ramalobela	3 717	-	-	-	-	3 717
Cllr. SP. Moshole	3 717	-	-	-	-	3 717
Cllr. MJ. Maake	4 243	-	-	-	-	4 243
Cllr. MP. Mailula	6 365	-	-	-	-	6 365
Hosi. M. Ntsawisi	10 853	3 619	-	-	-	14 472
Hosi. MAM. Hlaneki	10 853	3 619	-	-	-	14 472
Cllr. AT. Rabothata	6 209	-	-	-	-	6 209
Cllr. B. Ramothwala	10 608	-	-	-	-	10 608
Cllr. BT. Mabilo	6 209	-	-	-	-	6 209
Cllr. E. Hlungwani	215 885	23 800	-	13 929	-	253 614
Cllr. GE. Kobane	6 209	-	-	-	-	6 209
Cllr. GN. Bokisi	168 222	23 800	-	13 929	-	205 951
Cllr. HD. Lebeya	168 222	23 800	-	13 929	-	205 951
Cllr. MG. Mangena	54 188	-	-	-	-	54 188
Cllr. MM. Mukhabele	168 222	23 800	-	13 929	-	205 951
Cllr. MO. Maswanga	75 539	14 527	25 180	-	-	115 246
Cllr. MP. Hlungwani	393 190	23 800	-	13 929	-	430 919
Cllr. MP. Matlou	53 872	-	-	-	-	53 872
Cllr. NH. Tshimbana	215 885	23 800	-	13 929	-	253 614
Cllr. NJ. Mbhalati	215 885	23 800	-	13 929	-	253 614
Cllr. PJ. Mampeule	53 872	-	-	-	-	53 872
Cllr. PP. Machethe	10 608	-	-	-	-	10 608
Cllr. PS. Mothomogolo	53 872	-	-	-	-	53 872
Cllr. RT. Mavundza	168 222	23 800	-	13 929	-	205 951
Cllr. SEJ. Manthons	99 872	14 527	33 291	-	-	147 690
Cllr.SL.Mohlala	190 089	-	40 366	-	-	230 455
Cllr.SP.Letebele	6 209	-	-	-	-	6 209
Cllr.TP.Chaka	3 717	-	-	-	-	3 717
Cllr.WL.Mtebule	168 222	23 800	-	13 929	-	205 951
Cllr.HV.Manganyi-Baloyi	40 180	7 727	13 393	-	-	61 300
Cllr.BA.Shibambu	53 872	-	-	-	-	53 872
Cllr. DJ. Mmetle Ramohlola	398 677	23 800	-	13 929	-	436 406
Cllr.FM. Moroatshela	96 942	14 527	32 314	-	-	143 783
Cllr.M.Lewele	398 677	23 800	-	13 929	-	436 406
Cllr.MC.Nkhwashu	106 273	14 527	35 424	-	-	156 224
Cllr.MD.Makhananisa	60 396	-	-	-	-	60 396
Cllr.MI.Shimange	106 273	14 527	35 424	-	-	156 224
Cllr.MJ.Rakgoale	53 872	-	-	-	-	53 872
Cllr.ML.Mokwena	50 359	6 800	-	13 929	-	71 088
Cllr.MN.Madike	117 863	17 000	-	-	-	134 863
Cllr.MS.Magomane	222 410	23 800	-	13 929	-	260 139

43. Related parties (continued)

Cllr.MW.Mohale	168 222	23 800	-	13 929	-	205 951
Cllr.NR.Khandlhela	398 677	23 800	-	13 929	-	436 406
Cllr.S.Mavasa	6 209	-	-	-	-	6 209
Cllr. SS.Mathebula	53 872	-	-	-	-	53 872
Cllr. C. Stoltz	-	-	-	-	27 581	27 581
Cllr. DG. Mkhabela	-	-	-	-	15 445	15 445
Cllr. ML. Ramalepe	-	-	-	-	19 858	19 858
Cllr. SP. Mashumu	-	-	-	-	17 652	17 652
Cllr. TC. Letsoalo	-	-	-	-	11 032	11 032
Cllr. WM. Maake	-	-	-	-	17 652	17 652
Cllr. EM. Mathaba	-	-	-	-	17 652	17 652
Cllr. J. Mashele	-	-	-	-	20 961	20 961
Cllr. MC. Morwatshehla	-	-	-	-	25 374	25 374
Cllr. MS. Baloyi	-	-	-	-	15 445	15 445
Cllr. SB. Ramoshaba	-	-	-	-	22 065	22 065
Cllr. SM. Shayi	-	-	-	-	16 557	16 557
	9 854 044	**944 690**	**844 565**	**295 691**	**236 100**	**12 175 090**

2021

Name	Basic salary	Cellphone Allowance	Travel Allowance	Total
Cllr. PJ. Shayi	893 850	40 800	-	934 650
Cllr. WD. Sedibeng	715 078	40 800	-	755 878
Cllr. NM. Maswanganyi	502 790	40 800	167 597	711 187
Cllr. MC. Mohale	502 790	40 800	167 597	711 187
Cllr. MH. Sefufi	502 790	40 800	167 597	711 187
Cllr. ML. Maloko	272 263	40 800	90 754	403 817
Cllr. EJ. Manthonsi	280 491	40 800	93 497	414 788
Cllr. MO. Maswanga	212 153	40 800	70 718	323 671
Cllr. MI. Mokgobi	272 263	40 800	90 754	403 817
Cllr. NN. Baloyi	101 558	40 800	101 558	243 916
Cllr. NH. Zandamela	26 519	-	-	26 519
Cllr. NA. Sono	67 940	30 600	-	98 540
Cllr. GH. Modjadji	298 468	40 800	99 489	438 757
Cllr. KJ. Malepe	272 263	40 800	90 754	403 817
Cllr. PT. Malatji	272 263	40 800	90 754	403 817
Cllr. SJ. Nkuna	272 263	40 800	90 754	403 817
Cllr. MA. Helm	212 153	40 800	70 718	323 671
Cllr. CM. Ramathoka	212 153	40 800	70 718	323 671
Cllr. MR. Chauke	212 153	40 800	70 718	323 671
Cllr. JG. Mashele	212 153	40 800	70 718	323 671
Cllr. GA. Maluleke	272 263	40 800	90 754	403 817
Cllr. FM. Moroatshehla	272 263	40 800	90 754	403 817
Cllr. MD. Maake	502 790	40 800	167 597	711 187
Cllr. MC. Nkwashu	298 468	40 800	99 489	438 757
Cllr. MM. Makwela	9 547	-	-	9 547
Cllr. KI. Rapatsa	81 208	-	-	81 208
Cllr. D. Malemela	5 304	-	-	5 304
Cllr. CT. Shisinga	32 885	-	-	32 885
Cllr. MM. Makwala	18 034	-	-	18 034
Cllr. SC. Makwala	18 034	-	-	18 034
Cllr. GM. Malatji	91 118	40 800	-	131 918
Cllr. MF. Madike	10 440	-	-	10 440
Cllr. MA. Mathaba	101 558	-	-	101 558
Cllr. MD. Popela	10 440	-	-	10 440

Notes to the Annual Financial Statements

			2022 R	2021 R

43. Related parties (continued)

Cllr. R. Makasela	90 587	40 800	-	131 387
Cllr. MMA. Mathebula	58 344	-	-	58 344
Cllr. B. Ramothwala	44 554	-	-	44 554
Cllr. TN. Mthombeni	7 830	-	-	7 830
Cllr. XJ. Valoyi	10 440	-	-	10 440
Cllr. MI. Shimangefazi	298 468	40 800	98 036	437 304
Cllr. TC. Zitha	90 587	40 800	-	131 387
Cllr. T. Makhubela	30 477	-	-	30 477
Cllr. MR. Maake	10 440	-	-	10 440
Cllr. MV. Mangoro	10 440	-	-	10 440
Cllr. M. Mathedimosa	10 440	-	-	10 440
Cllr. TJ. Senyolo	10 440	-	-	10 440
Kgosigadi MJ. Sekgopo	30 480	10 164	-	40 644
Kgosi SSS. Sekororo	7 620	2 533	-	10 153
Kgoslgadi MJ. Mametja	30 480	10 164	-	40 644
Hosi TLP. Nwamitwa	30 480	10 164	-	40 644
Kgosigadi MA. Shayi	30 480	10 164	-	40 644
Hosi MAM. Hlaneki	30 480	10 164	-	40 644
Hosi MC. Mathevula	30 480	10 164	-	40 644
Hosi M. Ntsawisi	30 480	10 164	-	40 644
Kgosi MB. Pheeha	30 480	10 164	-	40 644
Cllr. I. Hlungwana	212 160	40 800	70 718	323 678
Cllr. MPT. Maluleke	212 153	40 800	70 718	323 671
Cllr. Hosi SM. Maluleke	30 480	10 164	-	40 644
Cllr. RN. Sekgobela	13 327	-	-	13 327
Cllr. PP. Machethe	37 128	-	-	37 128
Cllr. ML. Ramalobela	10 440	-	-	10 440
Cllr. SP. Moshole	10 440	-	-	10 440
Cllr. MJ. Maake	23 338	-	-	23 338
Cllr. MP. Mailula	3 182	-	-	3 182
Cllr. TP. Chaka	1 739	-	-	1 739
	9 517 600	**1 267 009**	**2 292 761**	**13 077 370**

The disclosures for councillors' detailed remuneration have been restated to correct errors of completeness and accuracy that affected a various councillors.

The municipality has discovered that it had made overpayment relating to remuneration of councillors which resulted in councillors owing the municipality the portion which was identified as overpayment. The municipality has made a repayment arrangement with the affected councillors and its in the process of recovering the overpaid portion.

The below listed councillors have an outstanding balance as at year ended 30 June 2022:

Councillors' balance owed to the municipality

The following relates to amounts owed by councillors emanating from overpayments of councillors remunerations in prior years. These balances are older than 90 days. No other amounts are owed by councillors.

Cllr. WD. Sedibeng	-	1 000
Cllr. CN. Rakgoale	8 000	8 000
Cllr. NM. Maswanganyi	12 812	12 812
Cllr. MC. Mohale	23 077	28 077
Cllr. MH. Sefufi	84 838	84 838
Cllr. ML. Maloko	38 670	38 670
Cllr. SEJ. Mathonsi	212 821	215 321
Cllr. MO. Maswanganyi	62 256	62 256
Cllr. ML. Mokgobi	52 560	55 060
Cllr. NH. Zandamela	728 340	728 340

	2022 R	2021 R
43. Related parties (continued)		
Cllr. NN. Baloyi	696 950	733 650
Cllr. NA. Sono	714 340	714 340
Cllr. GH. Modjadji	606 868	639 368
Cllr. PT. Malatji	14 831	14 831
Cllr. SJ. Nkuna	(19)	10 831
Cllr. MA. Helm	(3 000)	-
Cllr. MR. Nyakane	29 132	29 132
Cllr. CM. Ramathoka	29 966	29 966
Cllr. BT. Mathevula	11 999	11 999
Cllr. MR. Chauke	29 966	29 966
Cllr. JG. Mashele	-	6 189
Cllr. GA. Maluleke	14 831	14 831
Cllr. FM. Moroatshehla	-	2 000
Cllr. MD. Maake	(136)	-
Cllr. DG. Mushwana	29 966	29 966
	3 399 068	**3 501 443**

44. Prior period errors

The Municipality's annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). The basis is consistent with the prior year except for restatements reflected below.

Correction of errors

The municipality identified errors affecting the reported financial statements of the previous financial year. The details of the errors and their impact on each financial statement area have been disclosed in the relevant notes to the area concerned. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors.

Reclassifications

During the current financial year, Municipal Council decided to change certain general ledger account classifications in the annual financial statements in order to achieve a more accurate presentation in the municipal annual financial statements. As a result of these reclassifications, the prior years were restated retrospectively in terms of GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The annual financial statement line items affected by these reclassifications were Payables from exchange transactions, VAT receivable, VAT payable, Receivables from exchange transactions, property, plant and equipment, inventories, other income, discount received, rendering of services, Consulting and professional fees, Contracted services, Debt impairment, Employee related costs, General expenses, Remuneration of councillors, Repairs and maintenance and VIP Toilets. The above reclassifications did not have an effect on the surplus previously reported in the prior years.

Reclassifications as reported in this set of financial statements relate to moving of account codes from one financial statement area to another as well as moving from a sub class of a financial statement area to another.

Disclosures

The municipality identified completeness and accuracy disclosure errors on Irregular expenditure, contingent liability, water losses, multi-employer plan, unauthorised expenditure, fruitless and wasteful expenditure and Commitments. These were corrected retrospectively as required by GRAP 3. Details of the errors are in notes 16, 31, 41, 51, 49, 50 and note 42.

Effect of correction of errors

The impact of corrections of these errors as well as reclassifications on the Financial Statements of the Municipality are as follows:

Notes to the Annual Financial Statements

	2022 R	2021 R

44. Prior period errors (continued)

Statement of financial position

2021	As previously reported R	Reclassifications R	Correction of errors R	Restated R
Inventories	30 467 637	(3 900)	(7 457 555)	23 006 182
Receivables from exchange transactions	949 401 175	(225 312 933)	(602 488 028)	121 600 214
Cash and cash equivalents	31 049 597	-	(1 612 291)	29 437 306
VAT receivable	-	224 858 659	(30 394 156)	194 464 503
Property, plant and equipment	6 180 192 857	(1 512 753)	2 132 563 913	8 311 244 017
Intangible assets	8 026 148	-	(4 231 352)	3 794 796
Operating lease asset	-	-	4 723 806	4 723 806
Heritage assets	432 000	-	-	432 000
Finance lease obligation	(25 587 900)	-	2 182 259	(23 405 641)
Payables from exchange transactions	(1 649 933 473)	4 344 593	237 571	(1 645 351 309)
VAT payable	-	(2 373 666)	407 955	(1 965 711)
Unspent conditional grants and receipts	(81 716 178)	-	-	(81 716 178)
Consumer deposits	(3 608 097)	-	(7 056)	(3 615 153)
Employee benefit obligation	(76 748 957)	-	(299 951)	(77 048 908)
Landfill site provision	(5 772 677)	-	(1)	(5 772 678)
Accumulated surplus	(5 356 202 132)	-	(1 493 625 114)	(6 849 827 246)
	-	-	-	-

Statement of financial performance

2021	As previously reported R	Correction of errors R	Reclassifications R	Correction of errors R	Restated R
Service charges	309 327 657	-	-	4 747 180	314 074 837
Agency services	678 611	-	-	(678 611)	-
Other income	499 675	-	623 936	-	1 123 611
Investment revenue	6 479 246	-	-	-	6 479 246
Actuarial gains/losses	(769 496)	-	-	(735)	(770 231)
Government grants and subsidies	1 751 551 494	-	-	-	1 751 551 494
Public contributions and donations	-	-	-	3 798 435	3 798 435
Employee related costs	(460 416 793)	-	10 472 820	(10 722 240)	(460 666 213)
Remuneration of councillors	(13 077 370)	-	(10 472 820)	10 472 820	(13 077 370)
Depreciation and amortisation	(205 892 405)	-	-	(21 021 313)	(226 913 718)
Impairment and write off - assets	1 118 006	-	-	(15 449 504)	(14 331 498)
Finance costs	(38 839 275)	-	-	(22 301 371)	(61 140 646)
Debt impairment	(46 055 306)	-	-	(287 594 217)	(333 649 523)
Bulk purchases	(184 169 129)	-	-	(103 496 695)	(287 665 824)
Contracted services	(59 896 362)	-	(2 800 487)	(19 992 444)	(82 689 293)
Repairs and maintenance	(305 510 232)	-	72 363 146	(7 441 323)	(240 588 409)
General expenses	(255 706 686)	-	110 101 725	(751 258)	(146 356 219)
Consulting and professional fees	-	-	(74 542 987)	24 002	(74 518 985)
VIP Toilets	-	-	(105 578 802)	(3 398 789)	(108 977 591)
Discount received	160 942 118	-	-	(160 942 118)	-
Rendering of services	166 531	-	(166 531)	-	-
Interest charged on overdue consumer accounts	69 484 545	-	-	(1 445 423)	68 039 122
Lease rentals on operating lease	-	-	-	(699 185)	(699 185)
	729 914 829	**-**	**-**	**(636 892 789)**	**93 022 040**

44. Prior period errors (continued)

Cash flow statement

2021	As previously reported R	Correction of errors R	Reclassifications R	Restated R
Net cash flows from operating activities	311 732 151	252 244 161	-	563 976 312
Net cash flows from investing activities	(612 637 301)	(111 913 827)	-	(724 551 128)
Net cash flows from financing activities	(26 759 930)	-	-	(26 759 930)
Net decrease in cash and cash equivalents	**(327 665 080)**	**140 330 334**	**-**	**(187 334 746)**

The impact of these errors for the opening accumulated surplus at 01 July 2021 is reconciled as tabulated below:

The impact of these errors for the opening accumulated surplus at 01 July 2021 is reconciled as tabulated below:

Details	Amount R
Total cumulative effect of error corrections on surplus of financial years prior to 2020/2021 financial year	(2 130 517 903)
Total effect of error corrections on surplus of 2020/2021 financial year	636 892 789
	(1 493 625 114)

45. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are shown in note 44.

46. Risk management

Financial risk management

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet Its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policies.

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The following are the contractual maturities of the financial liabilities, including interest payments and excluding the impact of netting agreements:

2022	Carrying amount	Carrying amount Contractual cash flows	1 year or less	>1 year
Finance lease obligation	3 397 673	3 397 673	3 397 673	-
Payables from exchange transactions	1 795 960 071	1 795 960 071	1 795 960 071	-
	1 799 357 744	**1 799 357 744**	**1 799 357 744**	**-**

2021	Carrying amount	Carrying amount Contractual cash flows	1 year or less	>1 year
Finance lease obligation	23 405 642	23 405 642	23 405 642	-
Payables from exchange transactions	1 645 351 310	1 645 351 310	1 645 351 310	-
	1 668 756 952	**1 668 756 952**	**1 668 756 952**	**-**

Notes to the Annual Financial Statements

	2022 R	2021 R

46. Risk management (continued)

Credit risk

Investments

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables

Trade receivables are amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the exposure to credit risk is monitored continuously.

The municipality establishes an allowance for doubtful debts that represents its estimate for anticipated losses in respect of receivables. Payments of accounts of consumer debtors which are unable to pay are negotiated in line with the credit control policy and terms of payments are agreed upon with the consumer.

Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with council's approved investment policy. The municipality does not consider there to be any significant exposure to credit risk.

The carrying amount of financial assets represents the maximum credit exposure

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Cash and cash equivalents	30 500 247	29 437 305
Receivables from exchange transactions	254 415 353	117 341 399
	284 915 600	**146 778 704**

The municipality invested in a call account at an interest rate of 6% per annum for financial period ended 30 June 2022.

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings:

Credit rating - Standard & Poor's		
Firstrand Bank Limited: zaA-1 +	28 216 348	29 441 689

46. Risk management (continued)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing financial liabilities, the municipality's income and operating cash flows are substantially independent of changes in market interest rates except for the effect of interest received on cash placed on call accounts.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months is made without consultation with the councillor responsible for financial matters.

Consumer receivables comprise of many consumers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of an allowance for impairment.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	12.38 %	257 752 593	-	-	-	-
Cash in current banking institutions	6.00 %	30 500 247	-	-	-	-

47. Going concern

We draw attention to the fact that at 30 June 2022, although the municipality had an accumulated surplus of R 7 043 724 189 and that the municipality's total assets exceed its liabilities by R 7 043 724 189, its current liabilities exceeded its current assets by R(1 383 480 418) (2021: R(1 391 800 611)). This resulted in technical insolvency for the municipality. This fact on its own does not prevent the municipality to continue being a going concern given that going concern implies that the municipality will be in existence within 12 months of the balance sheet dates.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Realisation of assets

Major assets of the District Municipality are liquid and can be realised for market value as and when the need arises. This is positive on the going concern assessment.

Contingent Obligations

The municipality does not have equivalent cash reserves to honour the contingent obligations should they fall due. This has a negative impact on the going concern assessment.

Commitments

Commitments are mainly for work in progress projects that are not cash backed at the end of the year. This has a negative impact on the going concern assessment. Further, to confirm positive assessment of going concern, users are advised to take cognisance of the motivations below:

- There is a commitment from National Treasury to fund the operations of the municipality through equitable share and conditional grants. This is substantiated by past practice and gazettes issued by National Treasury for the MTREF period under consideration.
- There is no change in the legislation that impact on the municipality's ability to continue as a going concern.
- There are plans to ensure that there is effective spending of funds.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to secure funding through national treasury for the ongoing operations of the municipality. Other factors affecting going concern are as follows:-

The following factors if not monitored could undermine the going concern assumptions indicated above they were not properly managed as indicated.

- The municipality is experiencing challenges of collecting for revenue relating to water and sanitation. This is due to weakness in controls that are intended to manage of revenue at the local municipalities. The local municipalities are appointed as service providers and the district municipality is the Water Service Authority.

	2022 R	2021 R

47. Going concern (continued)

- The obligations to Lepelle Northern Water at R324 083 570 (2021: R332 129 437) and Department of Water and Sanitation at R537 896 642 (2021: R478 334 357) contributes as biggest creditors for the municipality over which there continue to threaten the going concern for the municipality.
- The litigation against the municipality to the value of R157 806 708 (2021: R223 380 065) provides continuity risk for the District Municipality. However, management continues to monitor the risk.

Based on the above assessment done, the district municipality is a going concern and thus should prepare its financial statements for the year ended 30 June 2022 under the going concern assumption. The municipality will continue with its endeavours to Increase revenue and reserve, as well as, reducing the financial commitments to ensure good financial health.

The municipality continues to manage the mentioned risks individually in order to ensure that there do not pose major threat to going concern.

48. Events after the reporting date

The municipality is not aware of any matter or circumstance arising since the end of the financial year.

49. Unauthorised expenditure

	2022 R	2021 R
Opening balance as previously reported	1 071 755 912	804 182 958
Add: Unauthorised expenditure - current	322 856 182	267 572 954
Closing balance	**1 394 612 094**	**1 071 755 912**

Unauthorised expenditure: Budget overspending – per municipal department:

	2022 R	2021 R
Municipal Manager	21 501 861	12 104 436
Finance	105 060 031	21 832 030
Corprate service	30 607 126	222 822 116
Water distribution	84 701 600	-
Technical services	19 774 673	-
Community services	49 734 915	-
Fire services	-	5 311 388
Information Technology	-	5 502 984
Waste Water Management	11 475 976	-
	322 856 182	**267 572 954**

Breakdown by type of expenditure

	2022 R	2021 R
Operating expenditure	270 494 740	266 541 762
Capital expenditure	52 361 442	1 031 192
	322 856 182	**267 572 954**

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes: overspending of the total amount appropriated in the municipality's approved budget; overspending of the total amount appropriated for a vote in the approved budget expenditure from a vote unrelated to the department or functional area covered by the vote; expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose; spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation otherwise than in accordance with any conditions of the allocation; or a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

Unauthorised expenditure incurred in the previous years amounting to R91 023 133 has was investigated by the Municipal Public Accounts Committee (MPAC). The recommendations from this investigation were adopted by council and are being implemented.

Causes of unathorised expenditure

The unauthorised expenditure was due to the following under budgeted items:

- Vote 2 (Municipal Manager) – Security Services were under budgeted by R23 443 122. The vote was underbudgeted by an amount of R21 501 861.

Notes to the Annual Financial Statements

	2022 R	2021 R

49. Unauthorised expenditure (continued)

- Vote 3 (Finance) – General expenditure and Interest charged on DWS and LNW for provision of raw and portable water were under budgeted. The vote was underbudgeted by an amount of R22 513 386.
- Vote 4 (Corporate Services) – Legal Fees and rental of leased assets were under budgeted. The vote was underbudgeted by R33 663 882.
- Vote 5 (Technical Services) – Stipend for borehole operators was underbudgeted by an amount of R16 547 436.
- Vote 8 (Water/Water Distribution) – Misallocation of borehole development expenditure under operating expenditure amounting to R40 541 069,57. The budget is sitting under capital expenditure. We will request correction to the correct vote. The vote was under budgeted by an amount of R31 097 605.
- Vote 7 (Community Services/Other Community Services) – The special adjustment budget was underbudgeted by an Amount of R47 886 265.

Prior period errors

In the current year the municipality identified and corrected some errors for the 2021 financial year, relating to understatement of unauthorised expenditure. This was due to using incorrect general ledger figures in calculating the expenditure by management. This was corrected retrospectively, and the details are tabulated below:

Details	Amount R
Unauthorised expenditure as previously reported for 2021 financial year	80 584 359
Add: Correction of errors	186 988 596
Restated amount	**267 572 955**

50. Fruitless and wasteful expenditure

	2022 R	2021 R
Opening balance as previously reported	412 321 621	359 244 383
Add: Fruitless and wasteful expenditure identified - current	43 516 843	53 077 238
Closing balance	**455 838 464**	**412 321 621**

Notes to the Annual Financial Statements

	2022 R	2021 R

50. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest incurred on late payment of suppliers	None	43 516 843	53 077 238

Fruitless and wasteful expenditure from the previous years amounting to R1 622 949 was investigated by MPAC. The recommendations from this investigation were adopted by council and are being implemented.

The debt owed to the Department of Water Affairs and Lepelle Northern Water contributed the biggest amounts to the fruitless and wasteful expenditure disclosed above. The breakdown is presented here:

Supplier		
Department of Water Affairs	25 809 851	26 556 110
Lepelle Northern Water	17 188 898	24 892 817
Eskom	375 302	34 610
Other	142 792	1 593 701
	43 516 843	**53 077 238**

Prior period errors

In the current year the municipality identified and corrected some errors for the 2021 financial year, relating to misstatements of fruitless and wasteful expenditure. This was due to using incorrect recognition of debt waiver by Lepelle Northern Water as well as understatement of Eskom interest payments which were incorrectly recorded in electricity. This was corrected retrospectively, and the details are tabulated below:

Details	**Amount R**
Unauthorised expenditure as previously reported for 2021 financial year	43 709 506
Add: Fruitless and wasteful expenditure identified - current	9 367 732
	53 077 238

51. Irregular expenditure

Opening balance as previously reported	1 673 453 235	1 161 276 023
Add: Irregular expenditure - current	89 792 795	300 278 005
Add: Irregular Expenditure incurred in prior period but identified in current year	-	211 899 207
Less: Amount written off - prior period	(444 845 816)	-
Closing balance	**1 318 400 214**	**1 673 453 235**

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Overspending on contracts	None	4 069 926	-
Non-compliance with SCM policy	None	85 722 869	300 278 005
		89 792 795	**300 278 005**

Amount written-off

Irregular expenditure from the previous years amounting to R300 278 005 was investigated by MPAC. After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R (444 845 816) from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

	2022 R	2021 R

51. Irregular expenditure (continued)

Prior period adjustment

In the current year, restatements have been made to amounts previously disclosed in prior years. This was due to the fact that the municipal irregular expenditure was incomplete and inaccurate from the 2020/2021 financial year. The irregular expenditure was identified by AGSA during the audit of annual financial statements. Below is the breakdown of the identified expenditure:

Non-compliance with Supply Chain Management regulation	**Amount incurred**
Procurement of goods/services split into parts or items of lesser value	1 788 458
Three written quotations not obtained from different prospective providers	185 400
No formal process followed to allocate projects to engineering consultants within a panel	8 055 644
Quotations not evaluated on local content	1 263 850
Over allocation of projects to one supplier within a panel ,not taking proper steps in monitoring expenditure to consultants to ensure that it is within the 17.5% threshold	16 009 377
SCM non-compliance on the procurement of borehole development goods and services	150 541 296
No evidence to support how contractors for VIP toilets were selected and appointed from the panel of approved contractors	2 063 697
Tender invitation sent out to contractors after the closing date	31 991 485
	211 899 207

In current year, restatements have been made to amounts previously disclosed in prior years. This was due to the fact that the municipal irregular expenditure was incomplete and inaccurate from the 2020/2021 financial year. The table below details the impact of corrections of these errors on the previously reported amounts:

Details	**Amount R**
Irregular Expenditure as previously reported	1 461 554 027
Add: Ommited Irregular Expenditure [detailed above]	219 859 609
Restated balance	**1 681 413 636**

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2022	2021
Current year subscription / fee	4 251 766	4 944 390
Amount paid - current year	(4 251 766)	(4 944 390)
	-	-

Audit fees

	2022	2021
Current year subscription / fee	10 231 071	7 973 674
Amount paid - current year	(10 231 071)	(7 973 674)
	-	-

PAYE and UIF

	2022	2021
Current year subscription / fee	66 932 407	74 746 280
Amount paid - current year	(60 703 224)	(74 746 280)
	6 229 183	-

	2022 R	2021 R

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

	2022 R	2021 R
Current year subscription / fee	45 078 574	71 419 200
Amount paid - current year	(38 517 129)	(71 419 200)
	6 561 445	**-**

VAT

	2022 R	2021 R
VAT receivable	214 230 299	194 464 507
VAT accruals	(25 701 913)	(1 965 713)
	188 528 386	**192 498 794**

VAT accrual payables and VAT input receivables are shown in note 13 and note 5 respectively.

53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the Municipal Manager. The total deviations for the period amounted to R35 262 181 (2021: R33 009 103) which has been tabled to council for noting in terms of Section 36(2). Paragraph 12{1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that deviations must be included as a note to the financial statements Major deviations related to emergency procurement of water related services since water is an essential service (water supply).

The amount for deviations consists of the following categories that make up the disclosed balance:

Category/Item	Amount R
Hiring of Water Tankers	3 068 530
Borehole Development	10 612 246
Sole Supplier	1 616 917
Other	19 964 488
	35 262 181

54. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of five (5) major functional areas: Community services, Engineering Services, Mayor and Council, Planning and development and Water services. The segments were organised around the type of service delivered and the target community. Council uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments’ performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

54. Segment information (continued)

Aggregated segments

The municipality operates throughout the jurisdiction of Mopani District. Segments were aggregated on the basis of services delivered as council considered that the economic characteristics of the segments throughout the district were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	**Goods and/or services**
Community services,	Provision of fire services, health services, sports and recreation services to the community.
Engineering Services	Provision of project management services. Water infrastructure construction, maintenance.
Planning and development	Responsible for monitoring and functioning of the municipality, drafting of IDP and workshopping it.
Water services	Provision of water and sanitation services to the community.
Mayor and Council	The council is responsible for governing the local area, provision of service delivery of municipal services to local residents and provision of political oversight to administration.

Notes to the Annual Financial Statements

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
Revenue						
Revenue from non-exchange transactions	60 004	104 024 876	-	12 323 863	332 396 440	448 805 183
Revenue from exchange transactions	24	3	111	227	223 145 186	223 145 551
Interest revenue	-	-	-	-	74 140 890	74 140 890
Total segment revenue	**60 028**	**104 024 879**	**111**	**12 324 090**	**629 682 516**	**746 091 624**
Interest revenue						3 621 608
Revenue from non-exchange transactions						1 053 100 393
Revenue from exchange transactions						2 102 401
Total revenue reconciling items						**1 058 824 402**
Municipality's revenue						**1 804 916 026**

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
Expenditure						
Employee related costs	113 763 753	11 965 943	16 551 447	46 240 450	198 774 984	387 296 577
Remuneration of councillors	-	-	12 175 090	-	-	12 175 090
Depreciation and amortisation	502 833	-	2 171 650	-	228 350 498	231 024 981
Finance costs	-	-	-	-	1 686 151	1 686 151
General expenses	13 004 670	477 593	4 184 574	3 441 826	152 146 056	173 254 719
Repairs and maintenance	2 894 313	1 890 810	1 901 896	2 492 330	157 994 702	167 174 051
Bulk purchases	-	-	-	-	189 101 685	189 101 685
Consulting and professional fees	-	13 558 062	-	-	-	13 558 062
Contracted services	-	-	-	-	28 875 164	28 875 164
Debt impairment	-	-	-	-	30 193 625	30 193 625
Transfer and subsidies	-	-	1 937 143	-	-	1 937 143
VIP Toilets	-	-	-	-	32 462 813	32 462 813
Actuarial gains/losses	-	-	-	-	(1 375 375)	(1 375 375)
Total segment expenditure	**130 165 569**	**27 892 408**	**38 921 800**	**52 174 606**	**1 018 210 303**	**1 267 364 686**
Total segmental (deficit)						**(521 273 062)**
Finance costs						(50 382 282)
Non-reportable expenses						(293 272 108)
Total revenue reconciling items						1 058 824 402
Municipality's surplus for the period						**193 896 950**
Assets						
Segment assets	(12 591 217)	(222 083 889)	(53 341 065)	(62 503 293)	(1 193 317 625)	(1 543 837 089)
Non-reportable assets						10 597 078 953
Total assets as per Statement of financial Position						**9 053 241 864**

54. Segment information (continued)

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
Liabilities						
Segment liabilities	141 085 124	(100 958 682)	520 695	(11 335 913)	46 250 864	75 562 088
Non-reportable liabilities						1 933 955 577
Total liabilities as per Statement of financial Position						**2 009 517 665**

2021

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
Revenue						
Revenue from exchange transactions	-	-	-	-	314 280 985	314 280 985
Interest revenue	-	-	-	-	68 039 123	68 039 123
Total segment revenue	**-**	**-**	**-**	**-**	**382 320 108**	**382 320 108**
Interest revenue						6 479 246
Revenue from non-exchange transactions						1 755 349 929
Revenue from exchange transactions						917 463
Total revenue reconciling items						**1 762 746 638**
Entity's revenue						**2 145 066 746**

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Expenditure						
Employee related costs	111 699 493	8 156 418	17 394 730	56 495 721	188 240 762	381 987 124
Remuneration of councillors	-	-	13 077 370	-	-	13 077 370
Depreciation and amortisation	651 370	-	316 483	-	178 628 518	179 596 371
Finance costs	-	-	-	-	1 408 518	1 408 518
General expenses	4 831 721	350 167	1 732 091	970 858	98 153 442	106 038 279
Repairs and maintenance	27 791 940	737 280	1 891 633	4 125 502	204 213 562	238 759 917
Bulk purchases	-	-	-	-	287 665 824	287 665 824
Consulting and professional fees	-	8 710 005	-	-	-	8 710 005
Contracted services	-	-	-	124 104	34 323 282	34 447 386
Debt impairment	-	-	-	-	332 666 870	332 666 870
VIP Toilets	-	(9 026 435)	-	-	118 004 025	108 977 590
Actuarial gains/losses	-	-	-	-	1 324 425	1 324 425
Total segment expenditure	**144 974 524**	**8 927 435**	**34 412 307**	**61 716 185**	**1 444 629 228**	**1 694 659 679**
Total segmental (deficit)						**(1 312 339 571)**
Interest expense						(59 732 128)
Non-reportable expenses						(297 652 899)
Total revenue reconciling items						1 762 746 638
Municipality's surplus for the period						**93 022 040**
Assets						
Segment assets	(51 599 145)	(204 501 310)	(47 584 965)	(41 969 082)	(747 377 652)	(1 093 032 154)
Non-reportable assets						9 781 734 978
Total assets as per Statement of financial Position						**8 688 702 824**
Liabilities						
Segment liabilities	1 667 990	5 485 696	403 991 035	3 183 519	360 425 761	774 754 001
Non-reportable liabilities						1 064 121 576
Total liabilities as per Statement of financial Position						**1 838 875 577**

54. Segment information (continued)

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

The municipality’s operations are in the Mopani District in Limpopo Province.

Notes to the Annual Financial Statements

	2022 R	2021 R

55. Accounting by principals and agents

The Mopani District Municipality is a party to principal-agent arrangements.

Details of the arrangements are as follows:

The municipality was appointed as an agent for implementing Regional Bulk Infrastructure Grant Scheme on behalf of Department of Water and Sanitation. The projects are for the benefit in kind of the Water Service Authority. The duration of the agreement is from 01 April 2015 until when terminated by the Department. In terms of the agreement, Department of Water and Sanitation reimburses Mopani District Municipality for all expenses incurred on its behalf for the RBIG project. Mopani District Municipality is not entitled to an agency fees.

Mopani District Municipality as a Water Service Authority, has delegated the responsibility of water distribution and rendering of sanitation services to the local municipalities within the district, namely: Greater Tzaneen Local Municipality, Greater Letaba Local Municipality, Maruleng Local Municipality, Ba - Phalaborwa Local Municipality and Greater Giyani Local Municipality. In terms of the agreements, the five local municipalities are to sell water to the consumers on behalf of MDM in return for an agency fee which is based on the cash collections as well as profit from water and sanitation trading.

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The are no other resources held on behalf of the Department of Water and Sanitation.

Revenue recognised

There is no revenue recognised from this agency relationship..

Liabilities and corresponding rights of reimbursement recognised as assets

There are no liabilities that have been incurred on behalf of the principal.

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of receivables

Amounts paid to contractors on behalf of the principal		
Opening balance	590 618	315 247
Amounts paid to contractors on behalf of the principal	27 264 439	15 967 327
Amounts received from principal	(28 189 015)	(15 691 956)
	(333 958)	**590 618**

The outstanding amount is expected to be settled within 12 months. There are no other resources half on behalf of the department of water and sanitation. Irregular, fruitless and wasteful expenditure incurred due to Mopani municipality's gross negligence and not condoned by Mopani municipality's council is recoverable by the principal. There are no other benefits in the relationship (except that of commission received).

Mopani District Municipality assumes the risk of managing the contractors and indemnifies the principal against any claims made by the contractor. In terms of the agreement, the agent is liable to reimburse the principal, where the principal is not satisfied with the performance of the contractor. To mitigate this risk, projects are executed in line with approved project implementation plan. Furthermore, the contractor's performance is monitored throughout the contract and a retention is held at the end of the contract which is inly paid after 12 months of completion of work, provided the work has no defects.

Mopani District municipality does not have the power to determine significant terms and conditions of the project because all projects are implemented according to the project implementation plan which is approved by the principal. The assets belong to the principal and the agent has no right to benefit from them unless they are transferred to agent. Variations In the contract amounts are approved by the principal and paid by the principal.

Notes to the Annual Financial Statements

	2022 R	2021 R

55. Accounting by principals and agents (continued)

All categories		
Opening balance	590 618	315 247
Revenue that agent is entitled to	27 264 439	15 967 327
Cash received on behalf of the principal	(28 189 015)	(15 691 956)
	(333 958)	**590 618**

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Mopani District Municipality as a Water Service Authority, has delegated the responsibility of water distribution and rendering of sanitation services to the local municipalities within the district, namely: Greater Tzaneen Local Municipality, Greater Letaba Local Municipality, Maruleng Local Municipality, Ba - Phalaborwa Local Municipality and Greater Giyani Local Municipality.

In terms of the agreements, the five local municipalities are to sell water to the consumers on behalf of MDM.

As the principal agent MDM is liable for agency fees to each local municipality as disclosed in note 12. All cash collections by the locals are payable to MDM, and all water related expenses are to be reimbursed by MOM. The nature of expenses paid by the locals on behalf of MDM, includes inter alia, bulk purchases, salaries of employees in the water department, contracted services, repairs and maintenance of water related infrastructure. These expenses are disclosed under the respective financial statements line items of the District Municipality.

The hasn't been cash payments/receipts between the principal and agents and all amounts owed to/by the local municipalities are netted off and disclosed in the inter-municipal loan accounts. The amount payable or receivable are disclosed under Payables from exchange transaction note 12 above or Receivables from exchange transactions note 4. Based on history, It Is not expected that amounts owed by/to the locals will be settled In cash, however the monies owed by/to the local municipalities will be settled through cash collections withheld by the locals and expenses paid on behalf of MDM.

The Local Municipalities are in full control of the billing system and apply their credit control policies in managing MDM's consumer debtors. There were no changes to any significant terms and conditions of this agreement during the current reporting period.

MDM is entitled to all income and is liable for all expenses relating to water transactions at the local municipalities. The risk of non-payment by the customer, and variations due to increase/decrease in selling prices of water and sanitation services are bone by MDM.

Benefits & Risks

Non-payment risks of amounts receivable from the Local Municipalities is considered to be significant. However, as an alternative recovery method, the Local Municipalities are required to incur expenses relating to water related activities and for reimbursement by MOM. These costs are not reimbursed directly by MDM but netted off against amounts receivable from the local municipalities.

Claims from Greater Tzaneen Municipality are limited to R30 000 000 per annum, any excess amount is recognised as part of other income.

Fee payableFee payable

Fee paid as compensation to the agents	23 914 241	29 598 851

There are fees payable to the Local Municipalities as agents. These are based on a percentage of cash collected for water and sanitation receivables for all the other 4 local municipalities while that of Ba-Phalaborwa is set at 10% of the profit from Water and Sanitation trading. However, no physical cash has been paid over but agency fees owed to the agents were raised as a payable and netted off with the other intermunicipal loan accounts under payables from exchange transactions in note 12.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Should the principal agent arrangement be terminated Mopani District Municipality will take over the responsibility from the 5 local municipalities. The costs to be incurred will mainly include, obtaining of a billing system and other resources to enable sale of water to consumers within the district.

Notes to the Annual Financial Statements

	2022 R	2021 R

56. Budget differences

Material differences between budget and actual amounts

Budget variances numerically greater than R5 million and or 10% of budget are explained below.

[BC1] The amount of service charges billed was more than budget due to more consumers becoming billable in the year than budgeted.

[BC2] The amount budgeted for other income included amount for VAT refunds, This is the reason why there were variances.

[BC3] Interest received was largely in line with the budget. This is influenced by the huge levels of outstanding debt by consumers.

[BC4] Grant and subsidies received were less than budgeted due to unspent grants on WSIG and MIG.

[BC5] Remuneration Personnel – the actual expenditure is more the budget due the overtime paid, the services costs relating to PEMA and LSA, the payment of long services awards and the leave encashment paid to employees.

[BC6] Remuneration of councillors – the budget was raised due to the fact that the support staff in the office of the Honourable speaker was linked to councillors erroneously.

[BC7] Depreciation and amortisation was influenced by the condition assessment of items of property, plant and equipment and these estimates differed from budget assumptions.

[BC8] Finance Costs – interest cost on both long service award and Post Employment Medical Award increased the actual amount and was not budgeted for. Further interest was incurred on outstanding debt to Department of Water Affairs and Leppele Northern Water. These were all unbudgeted for.

[BC9] Dept impairment was less than budgeted due to changes in consumer payment statistics and Ba-Phalaborwa Local municipality loan account.

[BC11] Contracted services – The actual amount was less than the budget amount because payments for fleet management (finance leases) were budgeted under this section when they are reported as finance lease liability in the financial statements.

[BC10] Bulk purchases were less than budget as the municipality abstracted less than budgeted volumes of water.

[BC12] General Expenditure – The actual amount exceeds the budget due the fact that emergency repairs and maintenance of water and infrastructure budget was incurred however not budgeted for.

[BC13] Inventory – The budgeted inventories was based on the items of assets was erroneously included in the inventory by mistakes and the actual amount was corrected through classifications.

[BC14] Receivables from exchange transactions were less than budgeted to due higher impairment as a result of non-payment by consumers.

[BC15] VAT receivable and payable are budgeted on a net basis and the refunds were incorrectly budgeted for under income. This caused the variances.

[BC16] The cash and cash equivalents were largely in line with the budget.

[BC17] The budget for property, plant and equipment was higher than budget due to delayed implementation of infrastructure projects. Also impairment and depreciation higher than budgeted caused this variance.

[BC18] There were no new acquisitions for intangible assets in the year under review.

[BC19] Heritage Assets – The amount for heritage assets was erroneously increased on the basis that the more heritage assets will be procured.

[BC20] Finance lease obligations budget was erroneously stated at a negative amount. However, in the current year, no new finance lease liabilities were entered into.

[BC21] The amounts of payables from exchange transactions was more than budgeted due to continued financial challenges being faced by the municipality.

[BC22] The municipality did not budget for any unspent grants. These were due to delayed project implementations.

Notes to the Annual Financial Statements

	2022 R	2021 R

56. Budget differences (continued)

[BC23] The consumer deposits budgeted for were more than actual due to less consumers opening accounts than was budgeted.

[BC24] The employee benefit obligations were incorrect budgeted for using a negative amount.

[BC25] The municipality did not budget for the landfill site provision.

57. Other statutory receivables

The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

VAT due from SARS	24 060 646	10 058 926

This represents amount of VAT that is receivable from the South African Revenue Service following the submission of the returns. These amounts were all received after year end.

Statutory receivables general information

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Once payments are received or paid, the VAT receivable from SARS is accounted as a statutory receivable. No interest is charged on outstanding VAT receivable from the South African Revenue Service. Also no impairment is recognised on this receivable since SARS always settles the VAT receivable in time.

58. Service in-kind

The municipality has been occupying an office space at Giyani Government Complex, under the property which belongs to the Department of Public Works. The municipality has been using this property from year 2003, The municipality occupies the space of about 4872 square meters in office complex. The municipality has been occupying this office space without paying any rental to the Department of public works. Therefore, this qualifies to be regarded as a service in kind. We could not determine the rental equivalent of the benefit enjoyed by the municipality. The rental amount has been assessed as insignificant to the municipality.